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8 June 1982

LATIN AMERICA REPORT

No. 2518

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FRANCE, INDIA, ISRAEL, ITALY TO GIVE ENERGY ASSISTANCE

Kingston THE DAILY GLEANER in English 7 May 82 p 1

[Text]

FOUR COUNTRIES — Italy, France, India and Israel — are to assist Jamaica this year in programmes designed to alleviate energy problems, the Prime Minister, the Rt. Hon. Edward Seaga, told the House of Representatives on Wednesday.

Mr. Seaga said that Italian assistance would be utilized in the study of silica, to determine its feasibility and to establish a photo-voltaic manufacturing plant for production and export. An Italian team is expected next month to look at the quality of local silica.

A French team is expected in the island within the next three weeks to begin feasibility studies leading to the implementation of a project to provide more efficient energy conservation from bagasse which could produce some 21 megawatts of power. They will conclude a survey of the sugar estates for the maximisation of the use of bagasse.

A team from India is expected in July to develop Biomas (power from refuse) projects with the Scientific Research Council for the electrification

of rural villages.

Mr. Seaga said that if this were successful, then small rural villages would not have to depend on the JPS for electricity.

Israel is to commence soon a study on solar ponds, starting at Yallahs, which is also expected to provide additional energy if successful. This system, he said, was a revolutionary method of energy provision.

MR. SEAGA SAID that these developments were in addition to the oil explorations which were being carried out on the Pedro Banks (off-shore) and at Windsor in St. Ann.

U.S. A.I.D. assistance was being utilized in a major project in energy auditing and retro-fitting of public and private sector organizations, including equipping hospitals and major hotels with solar heating at a cost of \$10-million, to conserve energy.

The Prime Minister, who was closing the Budget debate, said that Jamaica has "one of the most comprehensive alternate energy plans in the world."

TESORO QUARRY THERMAL OIL RECOVERY OPERATION DESCRIBED

Port-of-Spain TRINIDAD GUARDIAN in English 30 Apr 82 p 6

[Text]

MANAGING DIRECTOR Mr. J.P. Schmalz, and **General Manager**, Mr. G.L. Lewis, of Trinidad-Tesoro, visited recently, the Quarry Thermal battery currently being constructed under the direction of the company's projects sections.

Mr. Schmalz, who recently returned from the United States on company business, had a panoramic view of the entire construction site, and held discussions with company personnel about the project.

Mr. Schmalz and Mr. Lewis were accompanied by operations manager, Mr. Khem Ablack; manager — engineering services; Mr. Winston Hicks, and projects engineer, Mr. Ajitkumar Raval.

Later, Mr. Schmalz expressed satisfaction with the project and the pace at which it was progressing.

"I am very pleased and impressed with the magnitude of the project and the expeditiousness with which it is being carried out by all concerned," Mr. Schmalz said.

The thermal tank battery (No.3) is the first of its kind in the field.

STEAM FLOODING

Crude recovery, through the thermal process in Phase 1 and Phase 2 of the Apex/Quarry/Coora operations, will be fed into it.

The project is intended to cope with the volume of crude anticipated through steam flooding in the field.

At present, about 500 barrels of crude are collected from the area through thermal recovery.

When the battery under construction is put on stream, this will be increased to a minimum of 2,500 barrels a day.

Construction work started in December, and is expected to be completed by mid-July.

The entire operation, from conception to commissioning, is being handled by company project engineers.

The battery consists of three 1,000-barrel tanks, six test separators, four test tanks each of 100 pounds capacity, three bulk separators and facilities for automatic sampling and automatic pumping.

Two new steam generators are expected in July and are scheduled to be

commissioned by September, bringing to four the number of steam generators in the field.

Initially, the project will have 37 steam-injected wells and 45 off-take wells.

EIGHT - YEAR SPAN

Construction of the thermal tank battery forms part of both phases of the Apex/Quarry/Coora programme, which is aimed at boosting significantly oil recovery from the field.

Six million barrels of oil is expected from the field, through thermal recovery, during the eight-year life of the programme.

Senior reservoir engineer, Dr. Dow Maharaj, spoke enthusiastically about the project.

"The crude from the area is lighter than any other we have steamed so far. Construction of the battery will enable us to segregate thermal from non-thermal crude in the field, and enable us to give a proper account of the life of the project itself."

Other fields in which Trinidad-Tesoro has thermal batteries are Guapo, Palo Seco, Central Los Bajos and Sewlal Trace in Fyzabad.

AMOCO TO INCREASE EXPENDITURE ON LOCAL OIL PRODUCTION

Port-of-Spain TRINIDAD GUARDIAN in English 30 Apr 82 p 1

[Text] Despite falling world prices for crude oil and declining local production of oil, Amoco Trinidad has increased its expenditure for 1982 and will spend \$523 million as compared to \$334 million in 1981.

This statement was made by Amoco's president Robert Powers to members of the news media after a tour of the company's Galeota division, including offshore fields and the newly discovered high quality well at Galeota Ridge.

For this year Amoco will spend \$295 million on capital projects and \$228 million on recurrent needs, and included in the capital programme is \$52 million budgeted for oil exploration.

All Sold

Gas production will also be boosted in the immediate future, with the installation of a new platform in the offshore Cassia gas field capable of 20 wells later this year. The \$140 million dollar combined drilling and production platform will be rented by Amoco for \$124,000 a day.

Looking at the world situation, Mr Powers observed that although there was an oversupply of crude oil, with OPEC countries alone able to produce 15 million more barrels a day than they are selling, Trinidad and Tobago and Amoco have been lucky.

"Through its international connections, Amoco Trinidad has been able to sell all the crude oil it could produce. Amoco Trinidad has had no reason to shut in any producing wells, and Trinidad and Tobago has suffered no less of petroleum revenue for want of a market," he said.

Meeting Terms

Turning to gas production the Amoco president observed that with its current 240 million cubic feet of natural gas a day sales to the National Gas Company, the company was satisfying its contract signed last year. At no time had Amoco Trinidad failed to deliver the supply of gas required by the contract, he stated.

The Cassia gas field is expected to add between 30-50 million cubic feet of gas per day, which would compensate for the normal 15-20 per cent annual decline in production of most gas wells, and open avenues for the future.

Going into some details of the 1982 operations Mr Powers disclosed that this year \$4.8 million would be spent on minor construction projects, as compared to \$3 million last year.

CSO: 3025/286

CAL MEETS TO DEAL WITH NATIONAL MOBILIZATION ISSUES

Buenos Aires CLARIN in Spanish 25 Apr 82 p 11

[Text] The Legislative Advisory Commission (CAL) yesterday morning examined "confidential bills related to the country's current situation," the CAL's general coordinator, Col Carlos Juan Prandini, confirmed at the close of the special, unscheduled plenary session.

The Executive Branch's advisory body, which is headed by Rear Adm Enrique Pedro Montemayor, deliberated for about 70 minutes, from 1100 to 1210 hours.

When questioned by CLARIN, the military spokesman refused to give details on the confidential issues that the CAL had been analyzing on an urgent and unscheduled basis.

He acknowledged, however, in answer to one of our questions, that the CAL is on permanent alert to meet at any time should the Executive Branch need to consult it.

In this regard, it was confirmed at the palace of the National Congress, the official headquarters of the CAL, that special shifts of personnel from the stenographers pool and the general services staff were being kept on duty yesterday and today, Sunday.

News Item

A military source outside the CAL who asked not to be named confided to CLARIN late yesterday that one of the issues broached at the plenary session had to do with the status of retired personnel from the three branches and any potential military assignments for them in light of the current emergency.

National Mobilization Center

In the event of a war emergency, the National Mobilization Center, which was set up in November 1980 under the Defense Ministry, will be in charge of coordinating the provision of essential services, such as transportation, health care, communications, etc, for the civilian population.

Military sources defined its sphere of action as the "series of measures and procedures that the State adopts to gear the nation's potential to meet national security requirements in the event of war."

With regard to the mobilization of the population, its work is closely tied in with what Civil Defense, which is also partially under the Defense Ministry, does during such emergencies.

The purpose of the center, however, is to see to it that community services such as education, public health, all modes of communication, transportation, etc are provided as efficiently, continuously and uninterruptedly as possible, barring extremely grave developments.

One of its duties is to "monitor residents of enemy countries or their allies and sympathizers." In this instance, we are talking about the British community, most of whom have lived for many years in Argentina and, in general, are grouped in certain districts.

It must also maintain domestic order, which primarily involves a mobilization of the police. "This will be done only if a wartime situation so requires."

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CSO: 3010/1479

NATIONAL BUDGET FOR 1982 SUBMITTED TO PNE

Buenos Aires CLARIN in Spanish 21 Apr 82 p 21

[Text] After a lengthy preparation period that began early this year, the Economy Ministry has submitted to the Executive Branch the national budget bill for 1982, which, it has been learned, calls for a deficit (called financing need) equivalent to 1.93 percent of the GDP.

Expenditures are set at 140.5 trillion pesos. The breakdown (see graph) shows outlays for economic development as the largest portion, 49.3 trillion, followed by defense, 26.2 trillion; social welfare, 22.9 trillion; culture and education, 14.6 trillion; general administration, 13.2 trillion; security, 7.9 trillion; science and technology, 4 trillion and health care, 3.1 trillion pesos.

The bill's basic guidelines call for an increase in revenues and a cut in real spending.

Stabilization

The purpose of this is "to achieve price stability." The tools to be used include administrative rationalization and transfers to the private sector, a process that, according to announcements, will have greater repercussions in subsequent fiscal years.

The bill notes that "only sustained growth of private investment in the most efficient sectors of the economy can guarantee ongoing increases in the GDP," and the control of inflation is a premise for this; otherwise, "we cannot hope to engender confidence when inflation itself dictates the continuation of a given economic policy or political process."

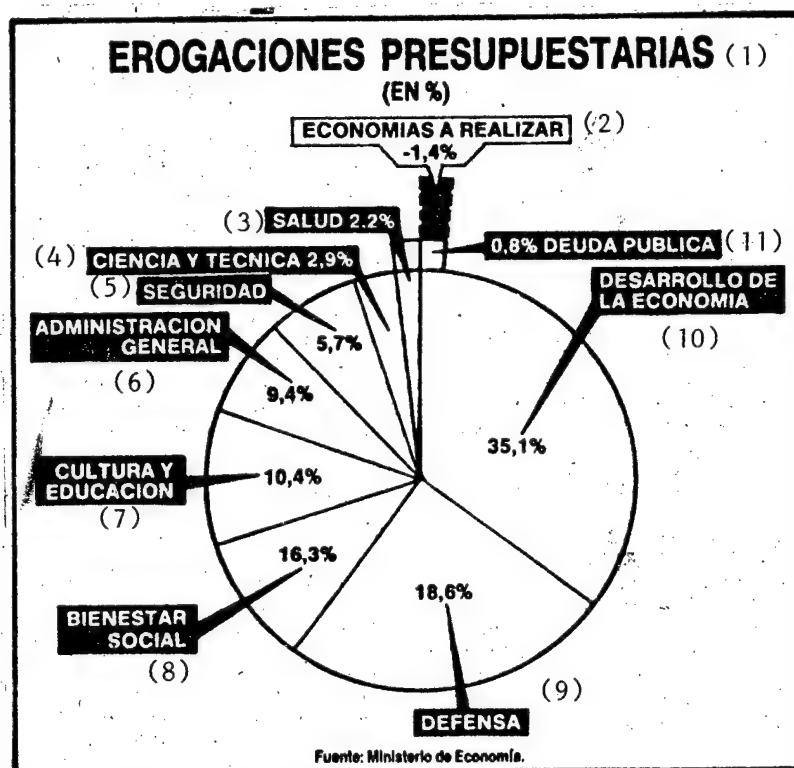
The preamble to the bill states that as a method of financing the deficit, monetizing (in other words, printing currency) will be preferred to borrowing, the hope being to eliminate the deficit by year's end, except the shortfall stemming from borrowing by state-run enterprises.

It also sets forth a commitment to gradually reduce other unspecified financing needs, such as exchange insurance, which in 1983 will entail a loss of around \$2 billion dollars.

With regard to public investment, the Embalse Nuclear Powerplant is expected to go on line, and the Salto Grande hydroelectric project is supposed to be completed. Work on the Atucha II Nuclear Plant and the heavy water industrial plant will continue, as will the expropriations and complementary projects for Yacyreta, though the main project will be pushed back. YPF [Government Oil Deposits] will continue its exploration, drilling, production and industrialization activities, though private sector involvement in these spheres will increase.

The message accompanying the bill says that it was drawn up in accordance with the prevailing wages and prices as of January 1982 and did not introduce any estimate of expected inflation during the fiscal year.

Another major item in the message is the list of the most significant tax measures: nonupdating of deductions and brackets for the profits tax; increase in the VAT from 10 to 12 percent; rise in the minimum import tariff to 10 percent and reduction of the maximum to 43 percent, and 10 percent withholding on meat and grains exports and a maximum reimbursement of 10 percent.



Key:

- | | |
|---------------------------|--------------------------|
| 1. Budget expenditures | 7. Culture and education |
| 2. Economies to be made | 8. Social welfare |
| 3. Health care | 9. Defense |
| 4. Science and technology | 10. Economic development |
| 5. Security | 11. Public debt |
| 6. General administration | |

ALEMANN'S PRIVATIZATION PLAN DRAWS CRITICISM

Buenos Aires CONVICCION in Spanish 25 Apr 82 p 14

[Text] The privatization plan drawn up by the Economy Ministry has prompted disparate, if not opposing opinions. The plan encompasses banking and the state-run enterprises under the Planning Secretariat.

Whereas economist Alberto Benegas Lynch contended that it "ought to be only the beginning of a more intensive privatization trend," the former Peronist economy minister Alfredo Gomez Morales voiced the view that the plan is "impractical" and in keeping with the "vested interests of the longstanding native oligarchy that is hiding behind the financial system."

Radical leader Antonio Troccoli pointed out that "an attempt to continue dismantling the production machine and the natural defenses of the economy will weaken the country, break up the domestic front and, consequently, lessen the possibilities for success in dealing with external aggression."

The 15-section plan, which was drawn up pursuant to a presidential recommendation, calls for the privatization of Aeronautical Insurance, the National Savings and Insurance Bank, state-run banks, the National Reinsurance Institute, the Mint, Austral Airlines, the Corporation of the Buenos Aires Central Market, mining bids, joint government-private companies and stock holdings of the National Development Bank and the National Savings and Insurance Bank.

The former secretary of economic programming, Mansueto Ricardo Zinn, stated that the proposal "is complete," cautioning, however, that "the important thing is to find out the program being drafted by the Ministry of Public Works and Services."

"It is in that area," Zinn explained, "that the government's main enterprises are concentrated, such as Government Oil Deposits (YPF), State Gas and Argentine Railways."

The president of the ALA Bank, Carmelo Stanato, came out in favor of a merger of government banks, because "it will enhance the efficiency of the financial system."

He indicated that a denationalization plan is not necessary because the banks can be combined under Law 22,529 (Merger of Financial Institutions), which he termed the "efficiency law."

Referring to the Savings Bank and the National Mortgage Bank, former Minister Gomez Morales said that they were set up after "profound reflection." He also recalled that "this was not a government-control or an exclusively Peronist measure," emphasizing that at the time all sectors agreed that it would be a good idea to start these financial institutions up.

Benegas Lynch, in turn, lashed out at those who propose bank mergers, "inasmuch as I do not see such measures as a basic solution."

"The privatization plan," he stressed, "must seek to really cut the umbilical cord with the State in the affected areas."

CARCLO [Confederation of Central and Western Littoral Rural Associations]

CARCLO issued a communique denouncing those who "profit" by taking advantage of extremely grave national security circumstances and underscoring that they ought to be "branded so that when the time comes to take future political measures, they can be singled out as true enemies of the national interest."

It also indicates that "we cannot fail to denounce the fact that this situation and the initial fighting have been scandalously taken advantage of by those who handle our world commodities trade to harm farm producers once again." It then explains that profiteering "invaded the workings of those sectors immediately after it was learned that a recommendation to impose a blockade went out to each member of the community."

In conclusion, CARCLO stresses that international interests have "taken advantage of this manifestation of territorial sovereignty by Argentina, and the decrease in earnings from producer sales of commodities, which the community must make up for through taxes or investments, is an affront to national sovereignty."

Petroleum Workers

The secretary general of the Union of State Petroleum Workers (SUPE), Mendoza Section, Antonio Cassia, yesterday leveled heated criticism at Economy Minister Roberto Alemann, who "continues to speculate and take advantage of the country's situation to pursue a plan that I consider ruinous for the interests of our homeland."

He was also harshly critical of the government's intention to privatize YPF, because "surrendering our oil means surrendering our flag."

Retail Merchants

The Center of Retail and Associated Merchants of Mendoza spoke out against "a campaign that is under way against the dignity and morale" of its members and that could have stemmed from "the psychological need to get consumers ready to face the problems that might arise because of our current circumstances."

In a lengthy document the center rejected the claim that "retailers are responsible for inflation" because "this disease has only one cause: economic policy."

It rejected the possibility of a food shortage but conceded that the population's "buying power is very limited."

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CSO: 3010/1479

INTEREST RATES CONTINUE TO RISE

Buenos Aires CLARIN in Spanish 22 Apr 82 p 24

[Text] Renewed withdrawals of deposits by savers, uncertainty and lack of liquidity yesterday prompted a rise in the cost of money that hampered the normal workings of the financial market.

In spite of last Thursday's measures to loosen up the monetary program, the call money offered by the Banco Nacion for rollovers was listed at a nominal 130 percent a year, when it had been around 108 percent last Tuesday and 98 percent last Monday.

On the private interbank market, rates reached 160 percent a year in the case of second-tier institutions. As on previous days, market fluctuations depended on video-master, telex or radio news reports on the South Atlantic-Malvinas Islands negotiations.

Under circumstances like these, bankers commented, middleman activities are the major business of the institutions with liquidity, given the credit crunch and exchange restrictions. Yesterday, however, very few institutions risked letting go of their funds and preferred to request them from the Central Bank, even having to resort to options that are little used in other situations, such as Circular 1051.

All of this was reflected in the interest rates on deposits, as 160 institutions quickly boosted their quoted yields, for both 7- and 30-day deposits, to ceilings of 120 and 125 percent nominal rates a year (10.2 and 10.5 percent a month effective rate, respectively).

However, institutions again began offering "interest rate bonuses," which although moderate compared to last week, when they hit 50 percent a year, still cause distortions in the system, our informants felt.

Inasmuch as last week's measures brought a total of some 15 trillion pesos onto the market and since this has so far not helped to balance the system, the situation was said to depend on other factors that do not necessarily involve the volume of monetary resources available to lending institutions.

As far as interest rates on loans are concerned, the trend has caused uncertainty not only among lenders but the institutions themselves as well. Nominal annual accrued rates have hit 140 percent, which in effective terms is close to 300 percent, and bankers are afraid that the current situation will continue.

When the institutions begin the race to bring their balance sheets in line with the requirements of the Central Bank, the system could get caught in a whirlwind of unpredictable situations.

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CSO: 3010/1479

CAVALLO PROPOSES ECONOMIC POLICY CHANGES

Buenos Aires CLARIN in Spanish 22 Apr 82 p 24

[Text] Cordoba economist Dr Domingo Cavallo stated here that "the stability and efficiency of a democratic political system would be broadly enhanced by the pursuit of economic objectives that enjoy a popular consensus, such as growth, income redistribution, expansion of regional economies and the development of national enterprise and of cooperative forms of economic organization." In addition, according to Cavallo, these objectives should be pursued through general and automatic economic policy tools that would allow for the decentralization of economic decision-making through the marketplace and competition. This has been a most infrequent combination in Argentine history, which is probably one of the major economic causes of the instability and inefficiency that our political system has been marked by in the past. In recent years, continued Dr Cavallo, who worked in the Interior Minister under Gen Horacio Tomas Liendo, there has been a "ruinous combination" that the Armed Forces and many of the businessmen and economists who worked in government have failed to see clearly. A completely antipeople objective has been pursued in practice: "The concentration of the economy around large national and foreign companies and banks that are more closely linked to international trade and finance than to the tradition, idiosyncrasy and interests of the Argentine people."

"The explanation of the mechanisms through which the 'Buenos Aires establishment' has succeeded in arguing publicly and repeatedly that its economic program is the program of the Armed Forces will be the subject of much future research by sociologists and political scholars. Without trying to give a complete explanation, I would, however, like to emphasize that many of us, as businessmen and professional economists, naively and unwittingly contributed to this task of persuasion and deception. The 'city establishment' and its main representative, Dr Jose Alfredo Martinez de Hoz, spent an enormous number of hours and took an enviable instructional approach to 'sell their economic program.'"

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CSO: 3010/1479

CENTRAL BANK CLOSES DOWN FINANCIAL INSTITUTION

Buenos Aires CLARIN in Spanish 22 Apr 82 p 26

[Text] The Central Bank yesterday ordered the liquidation of Rio Parana Compania Financiera Sociedad Anonima, a private domestic finance company, though it did not revoke its authorization to operate. The official announcement, in Central Bank communique 2853, states that "the institution being liquidated is still in operation but could be put on sale in the near future through a call for public bids."

The Central Bank also ordered the continuation of deposit reimbursements in accordance with Central Bank guarantees in Article 56 of Law 21,526, which insures 100 percent of deposits up to 100 million pesos per account-holder. It also ordered that any new money deposited or old accounts kept in the institution enjoy the same guarantee.

Causes

The Rio Parana Finance Company was intervened last Thursday on a precautionary basis for a period of 90 days because of "proven irregularities in its operations" that according to opinions heard on the market predated the conflict with Great Britain over the Malvinas. The irregularities allegedly involved the finance company's lending policy.

Situation

According to the Central Bank's report of last 31 December on the status of finance companies, the DYN Agency reported, Rio Parana headed the list in deposits, with 1.125 trillion pesos. Deposits have reportedly risen to 1.5 trillion at present, however, as a result of the very high interest rates it has been offering.

Assets

As of last 31 December, its capital and reserves account totaled 50.5 billion pesos and its fixed and miscellaneous assets account, 47.8 billion pesos. As of the same date, its total loans amounted to 943.7 billion pesos.

Its available assets thus totaled 301.4 billion pesos, and its debit plus credit, 1.315 trillion pesos.

BRIEFS

BALANCE OF PAYMENTS WARNING--Agricultural production increased, total spending in the economy fell off, Barbados' foreign exchange position improved and the country's foreign exchange reserves rose by \$37 million during the first quarter of this year. However, the Central Bank here has warned that unless gross national expenditures could be contained, "our balance of payments will become unmanageable." "It remains imperative that wage and salary increases be kept within reasonable limits if unemployment and irreparable damage to the island's balance of payments are to be avoided." In a review of the performance of the economy during the first quarter of 1982, the Central Bank noted that Government's improved fiscal position was largely due to "a very good revenue performance in March," including Government's takings from corporation taxes, land tax and income tax. [Text] [Bridgetown SUNDAY SUN in English 9 May 82 p 32]

TULL ON CARACAS MISSION--The diplomatic career of Peter Simmons, Barbados' deputy representative at the United Nations may be in limbo, but this country does not intend to close its embassy at Caracas. Foreign Affairs Minister Louis Tull has branded as "totally and utterly untrue," reports circulating in Bridgetown over the past weeks that Government intended to close the Caracas mission in September. Rumours of the embassy closure had come amid reports that Simmons had received a letter appointing him as Ambassador to Caracas. Tull said: "Everything is in a state of flux, but it is not true that we are closing the embassy." As far as Simmons was concerned, the Minister added: "No plans have been made concerning him." Tull explained that every year his ministry transferred foreign service officers, and it was now considering what transfers there will be this year. Further, the intention was to plan the transfers to coincide with the beginning of the school year, so that officers with children of school age would be able to arrange for suitable placements. "We have not yet finally decided what will happen--what transfers will be effected in the whole service," the Foreign Minister said. [Text] [Bridgetown SUNDAY SUN in English 9 May 82 p 1]

NEW SUGAR FACTORY--Barbados' sixth sugar factory has begun operations. The mill wheels of the \$31 million Portvale sugar factory at Blowers yesterday turned at about 2.30 p.m. signalling the long awaited start of the factory. Portvale replaces Vauclose in St. Thomas and Porters in St. James which were closed at the end of last year's crop. It will normally handle 110 tonnes of canes per hour for 130 hours per week, which in an average crop of 16 weeks

could process 225 000 tonnes of cane to produce about 25 500 tonnes of sugar. If there is a larger than normal crop, the number of weeks in operation could be extended or the factory speeded up to over 125 tonnes of cane per hour requiring a daily supply of \$3 000 tonnes of cane. The opening of Portvale represents the completion of a basic reorganisation and rationalisation programme begun in November 1969 when plans were announced for the ownership of all sugar factories to be vested in a single company--Barbados Sugar Producers Limited (BSPL). [Excerpts] [Bridgetown THE NATION in English 12 May 82 p 24]

CSO: 3025/297

DAILY VIEWS ROLE OF MILITARY IN ARGENTINE GOVERNMENT

PY022107 Rio de Janeiro JORNAL DO BRASIL in Portuguese 1 Jun 82 p 10

[Editorial: "Changed Path"]

[Text] The triumphant facade of the Argentine vision of the Falklands war is beginning to crack due to the evolution of events. The official information network seems to be paving the way for the worst news, and once again the old specter of Argentine policy, the coup d'etat, is reappearing in a Buenos Aires that has been deluded by a quite imaginative "war romance."

The truth is that the regime that launched into an unexpected and unjustifiable war counted in its favor on a large quantity of arms it has accumulated in recent years. Discounting that arsenal, the regime is essentially weak for it lacks a political base, and because of this lack of base, it has to resort to systematic lies and dissembling--and even to ideological blackmail. General Galtieri has already announced Argentina's inclination to seek support from countries of "other latitudes" (meaning the Soviet Union).

Have we changed or has Argentina changed? Was not this the same government that was going to assist the United States to fight the "Soviet invasion" in Central America? Is there not then a minimum of consistency in the external adventures of the Galtieri government?

In this context, it is dramatic to verify up to what point a country such as Argentina has let itself be induced by a policy advocating the creation of "strong regimes" to fight the "red peril." The result of that policy, at Washington's prompting, is usually--as in the case of Argentina--the transformation of the armed forces into an internal police force. And this ultimately results in discrediting those armed forces which, by disregarding constitutional provisions, depart from their true functions and alienate themselves from the people's respect. To the extent that all the political process is routed through military channels, the army loses its coherence, loses its professional capability, and becomes affected by the germs of doubts and divergence that are inherent to political action.

Argentina has pathetically illustrated this process of disintegration. General Galtieri, who wanted to pull all Argentines behind him, is the same military

chief who, at the beginning of this year, ousted the government of his colleague General Viola. What can be expected from a regime that cannot manage to even consolidate unity within the armed forces?

Like other countries, Argentina accepted the U.S. suggestion for the creation of a military "barrier against communism." In one day the United States made an important option in terms of foreign policy. The Americans had the right to make one option or another since they are responsible for their own decisions. But the Argentine regime was surprised because that option ran counter to its own plans; and therefore Argentina is inclined to lean on the other extreme of political and ideological dependency. How can one fail to see that turnabouts like this can lead a country to madness and ruin?

South America is perhaps twenty or thirty in the list of Soviet interests. A simple look at the world's map can show that no empire could afford an expansion that large. Yet Argentine wanted to raise a barrier against the "Bolshevik advance." In that scouts' mission Argentina did not leave stones unturned. The institutional and constitutional affairs of Argentina were subverted to their very foundations. There was no leadership left to serve as intermediary between the armed forces and the ordinary citizen.

Only that way, perhaps, can be explained the useless war that Argentina decided to wage at a time when it has so many very serious problems to solve. Since that war was hatched in the closed circle of the joint staff and since no time was wasted to consult the Argentines about that decision, it became necessary to give to the Argentines something in exchange, and so they were given manipulated news relying on the enthusiasm that is usually generated by military victories.

But manipulations have a limit. Many lives have already been lost, and many others can disappear in the final combats for the Falkland Islands.

The Argentine regime seems to have already given orders to prepare the spirit of the Argentines for less favorable results. But this does not solve the regime's political problems. The nationalistic fever artificially created tends to turn against the regime itself. Argentina may thus discover, at a very high cost, that the bayonets are no substitute for a constitutional order, that the involvement in political activities by the armed forces is no good for them nor for the country. It may also learn that the best way to fight the "Bolshevik threat" is by creating a society different than the one existing in the Soviet Union. The militarization of Argentina, through the strangest path, has taken the country closer to what was seen before as the worst threat.

CSO: 3001/154

PAPER SEES ARGENTINA MAKING U.S. 'SCAPEGOAT'

PY310033 Rio de Janeiro LATIN AMERICAN DAILY POST in English 30/31 May 82 p 4

["Scapegoat U.S.A.," summary of editorial "Scapegoat" from Rio de Janeiro JORNAL DO BRASIL in Portuguese of 28 May]

[Text] Last week's TIAR [Inter-American Reciprocal Assistance Treaty] meeting started with a vehement address given by Argentine Foreign Minister Nicanor Costa Mendes, attacking the U.S. decision to support Britain in the Falklands conflict. According to him, this support is "illegal" under the Inter-American Defense statute, besides being unfair, and should, therefore, be repudiated by the Inter-American community. No one can deny the Argentine foreign minister's competence for defending an almost lost cause. But his indignation clearly envisaged making of the United States a scapegoat for the difficulties now experienced by his country.

The U.S. decision to support Argentina [as published] is controversial and will continue so for a long time after the end of the conflict. But the Argentine minister's speech was based on the presumption that Argentina had the right to take by force what Britain has owned for more than 150 years. This is a sophism maintained by Argentine diplomacy from the start. Several Latin American governments, precipitously or for reasons of diplomatic speculation, support this position. Peru and Bolivia may act impulsively, but it is more likely that they try to take advantage of the tragic situation created by the Argentine attack.

Many half-reasons, however, do not make one full reason. Argentina does not have reason after it decided to tackle a territorial question by force. This is the crux of the question and to circumvent it the Argentine foreign minister now looks for a scapegoat. The U.S. decision to support Britain may be viewed from different angles but this decision did not cause the conflict. Before attacking the U.S. position the Argentine minister had better dedicate more time and effort to justifying the Argentine position. But this certainly would place him in a situation almost as difficult as the predicament now involving the Argentine soldiers. It will be very difficult for Argentina to convince the rest of the continent that it is not the aggressor.

CSO: 3020/129

PAPER CRITICIZES ARGENTINE ACTIONS

PY290322 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 25 May 82 p 3

[From the "Notes and Information" page: "No To Compromising the Future"]

[Excerpt] Whatever the outcome of the battle of the Bay of San Carlos, it is obvious that the battle that is taking place there depicts the tragedy of a people who have been subjected to a dictatorship and to the government of a Caudillo in the best Argentine tradition of a leader of the "Montoneras" [insurgents on horseback]: Youths of all social classes involved in the defense of a land they never saw, for the sake of a principle based on an exacerbated nationalism, in a war serving the political objectives of diverse groups into which the nation and even its armed forces are divided today. When the final balance of this adventure into which General Leopoldo Galtieri has launched the Argentine people is made the real meaning of the word war will be seen with its full implications; and when the cost in terms of prestige for the Argentine nation (whatever the result of the operations) is known and how much it has compromised the stability of the national economy which has already been affected through many years of misrule and an uncontrolled inflation, then will we be able to assess the high price that a nation must pay when its international relations are conducted with no regard for law and its political future is subjected to the transient interests of its armed forces.

Itamaraty disregards the cruel facts that it certainly knows in order to justify the fact that the Brazilian position cannot be based on fear of our neighbor nor on the vile interests of those who try to obtain profit and prestige by selling arms. Brazilian diplomacy has long traditions (and particularly a long historical background) so as not to drive the country toward the precipice of an alignment with Argentina for merely geographical reasons. Foreign Minister Saraiva Guerreiro and President Figueiredo must think that, although Argentine history can explain the emergence of a man like Galtieri, Brazilian history will never forgive those who, while temporarily in power, have launched the country into the adventure of breaking from the neutral position that we are unofficially maintaining to aid those who violated international rights and slighted the OAS Charter.

CSO: 3001/154

ARMED FORCES DO NOT HAVE NECESSARY EQUIPMENT

PY022322 Paris AFP in Spanish 1505 GMT 29 May 82

[Text] Sao Paulo, 29 May (AFP)--The Brazilian Navy would not be in a position to defend the whole coast of the country in case of a massive attack, similar to the one actually happening in the Malvinas archipelago, stated Rear Adm Armando Amorin Ferreira Vidigal here today.

Rear Admiral Vidigal, director of the Navy War School, made this statement during a meeting held with leaders of the Federation of Industries of the State of Sao Paulo, and he emphasized that the armed forces do not have all the necessary equipment for national defense available.

After recalling that our military power is not compatible with our economic power, Vidigal stated that because of the economic model adopted for the country, the armed forces have been harmed by the scarcity of resources, which has thus affected its power to wage a war.

The director of the navy school said that the armed forces need to expand their defense capability, but utilizing the country's industry's since, he remarked, our military development must be based on national industry, not only reducing the dependence of the country in relation to foreign technology but also reducing the level of idleness of the industrial sector.

At the neighboring city of Campinas, the president of the Ordnance Industry (IMBEL)--an enterprise linked to the Brazilian Army--Gen Arnaldo Calderari stated that the national armament industry will, within 5 years, be capable of producing sophisticated arms, with electronic technology.

According to its president, IMBEL has the goal of planning military equipment needed by the country and entrusting its manufacture to the national private industry.

Calderari concluded pointing out: I believe our military modernization must be based on our own material and that the development of the sector will rely on the capabilities of industries which, in the not too distant future, will be in a position to produce sophisticated equipment.

CSO: 3001/154

DISCUSSION ON VARIOUS WORLD FIGURES IN FALKLAND CONFLICT

PY290048 Rio de Janeiro LATIN AMERICAN DAILY POST in English 28 May 82 p 4

[Editorial: "What Can I Do?"]

[Text] As in all extended international crises, the Falklands dispute has developed its own cast of characters ranging from those already well-known to the relatively obscure, personages suddenly elevated to fame by the thrust of events.

We have seen a more human and vulnerable side to Margaret Thatcher as the iron lady's surface composure has been visibly bruised by the bombs and missiles that have sent four British Warships to the depths of the South Atlantic and have claimed 98 British lives, deaths resulting from command decisions taken at the Number Ten House on Downing Street. We have seen an alternating bombastic and conciliatory Leopoldo Galtieri as the president of Argentina has proven somewhat unconvincing in the role of South American tinpot dictator, a stereotype created more by the British press than by the events themselves. We have seen the anachronistic old world figure of Nicanor Costa Mendez, the Argentine foreign minister moving about with the aid of a cane, recalling a more romantic age of gentlemanly diplomacy. We have watched Defense Minister John Nott give at times ingenuously delighted reports of Argentine casualties only to return a short while later with furrowed brow to report there were British dead as well. We have followed the hard-driving figure of Alexander Haig, attempting to force a negotiated settlement in the same manner in which a bull charges the red cape and with as little success in reaching the target. While we have not seen them, the bravery of the Argentine pilots has led us to admire these faceless, nameless men who alone have carried the war to the British force.

In each of these cases we have seen individuals caught in the sudden glare of a crisis from which they will emerge either enhanced or diminished as human beings. But none of the heroes and villains of the Falklands drama have captured the frustrating sense of this event better than did U.S. Secretary General Javier Perez de Cuellar following Wednesday's Security Council debate.

The council had just approved a resolution that did not call for a cease-fire but asked Perez de Cuellar to attempt to negotiate one and report back in a week. It was rather like a company without funds, handing a copy of the balance sheet to the personnel manager with the message. "Here boy, take care of this," Perez de Cuellar's answer was short, pathetic and disarmingly truthful: "What can I do in seven days?"

In fact world statesmen are not supposed to make statements like this. They are expected to dissimulate, to feign confidence or admit difficulties but never to confess impotence. But in that one short phrase, ill-[words indistinct], Perez de Cuellar summed up not only the frustrations of the Falklands were but 20 years of increasing vacillation and weakness by the United Nations itself. Two decades after Dag Hammarskjold led a successful UN intervention in the anarchic situation that had developed in the former Belgian Congo, today's secretary general when given a peacemaking mission can only respond, "What can I do ...?" The sadness of this comment derives from its truth. There is really nothing that either Mr. Perez de Cuellar not his august world body can do. By unfortunately admitting this in public, the secretary general has cast an even smaller shadow for his position and his employer.

CSO: 3020/129

DAILY DISCUSSES RESULTS OF YAMANI TALKS

PY290458 Rio de Janeiro JORNAL DO BRASIL in Portuguese 25 May 82 p 22

[Excerpts] Brasilia--An increase in oil exports to Brazil of up to 100,000 barrels per day through the Saudi state enterprise, Petromin; Saudi investments in Carajas and exports of Brazilian services to Saudi Arabia--particularly in the civilian construction, and electricity and mining exploration equipment--were the main issues discussed in the meeting between Mines and Energy Minister Cesar Cals and Saudi Petroleum and Mineral Affairs Minister Shaykh Ahmad Yamani.

In his 30 minutes meeting with President Figueiredo, Yamani made an overall analysis of the international economic situation and its effects on developing countries.

Despite the fact that trade is far from being balanced since Brazil imports from Saudi Arabia an equivalent of \$3.7 billion and will export about \$200 million this year, Cesar Cals has received the 'green light' from the Saudi minister to send to Riyadh a list of "Brazilian companies that will be eligible to be certified by the Saudis in the construction and electricity field." In the energy field, Brazil is interested in exporting to Saudi Arabia technology and equipment for transmission lines.

In turn, Yamani requested a list on a number of projects in the mining sector for eventual participation of Saudi capital in Brazil. One of the sectors named was the aluminum sector. Cesar Cals noted the incentives provided by the Brazilian Government through lower rates for electricity.

Moreover, subjects pertaining to an increase in the supply of oil to Brazil through the Saudi state enterprise Petromin [as printed]. Cals is trying to increase the total of the present 25,000 barrels of oil per day that are received from Petromin to about 100,000 per day. Brazil receives at present about 200,000 barrels of oil per day from Saudi Arabia, but a substantial part is supplied by the Aramco consortium which is made of Exxon, Texaco, Standard Oil and Petromin.

CSO: 3001/151

POLICE, ARMED FORCES INVOLVEMENT IN POLITICKING DISCUSSED

Pena Gomez' criticism

Santo Domingo LISTIN DIARIO in Spanish 14 Apr 82 pp 1, 17

[Article by Saul Pimentel]

[Excerpts] The general secretary of the Dominican Revolutionary Party (PRD) yesterday accused fanatical sectors of the National Police with having initiated a campaign of repression against the citizenry with the purpose of harming that political organization at the ballot box.

Dr Jose Francisco Pena Gomez said that these sectors, among them "the directorship of the Secret Service and much of its staff from the interior", act "in open complicity with sectors from the Reformist Party (PR) and have subjected the leftist groups and the militants from the PRD to constant harassment."

Independently of the position the police chief might take, many of his subordinates, blinded by the old antirevolutionary rhetoric, practice repression aimed at turning important sectors of the population against our party" the political leader commented yesterday during the PRD radio program Tribuna Democratica.

In his speech, Pena Gomez criticized the government of President Antonio Guzman, pointing out among other things, that although he came out as a true scion of the PRD in the 16 May 1978 elections "he has governed with complete independence of that organization's National Executive Committee."

Regarding the repression that he alleges the National Police practice, he pointed out that agents from that organization "capriciously" ask the citizens for their identity papers and voter's registration cards or detain people without a justifiable reason.

Pena Gomez affirmed that repression has reached high echelons of the PRD, among them the press manager for the electoral campaign of that party's candidate, Juan Jose Encarnacion, who in only one day was detained five times on route from Salcedo to the capital.

He added that as of this date he doesn't know of a single case where the leaders or members of the Reformist Party have been repressed, nor does he know of any complaint against the police coming from that rival organization.

"Of course, not all policemen participate in this underhanded anti-PRD campaign, but the truth is that we cannot go on hiding the fact that some sectors of the police department act openly against the PRD," he said.

He pointed out that only another victory for the PRD and the definitive retirement from office of Dr Joaquin Balaguer, could make possible a true fraternal coexistence between the members of the PRD and these obstinate sectors of the police.

For this reason we have said many times that notwithstanding the pro-PRD standing of President Antonio Guzman, his government is only partially PRD because we will only have a completely PRD government when no military man believes he is risking his career if he gets together with one of the leaders of our organization", he said.

Armed Forces, Police Statement

Santo Domingo LISTIN DIARIO in Spanish 14 Apr 82 pp 1, 13

[Article by R. Rodriguez Gomez]

[Text] The secretary of state of the armed forces and the chiefs of the military, the Navy, the Dominican Air Force and the National Police asked political leaders and the news media last night to "allow them to work" so that they can continue to carry out their patriotic duty, and to stop the accusations concerning the presumed aim of the military to subvert the constitutional order.

"The armed forces and the National Police have given convincing proof that we are amply fulfilling our duties and that in the future we will continue to guarantee the peace, order and tranquility of our country," said the military chiefs last night in a communique aimed at public opinion.

The communique is signed by Lt Gen Mario A. Imbert McGregor of the Dominican Air Force, secretary of the armed forces; Maj Gen Manuel Lachapelle Suero, chief of staff of the National Army; Maj Gen Pablo I. Garrido Medina, chief of the Dominican Air Force, and Jose Paulino Reyes de Leon, chief of the National Police, as well as Vice Admiral Olgo Santana Carrasco, chief of the Navy.

The high-level military chiefs point out that "during the last few days the armed forces and the National Police have been the victims of accusations which for the most part have been echoed by all mass-communications media, regarding the presumed objective of the military to subvert the constitutional order if a certain political candidate is favored in the coming elections by a majority of the popular vote.

They also said that "notwithstanding the fact that the armed forces have completely and categorically disproved these accusations, the propaganda has continued in a systematic way, fomenting as a consequence the natural concern of the Dominican people.

"Once again the military and police institutions ask the cooperation of the political leaders as well as the mass-communications media so that the armed

forces and the National Police can keep on working and continue, as we have done heretofore, in accordance with the ideals of our illustrious chief executive, Mr Antonio Guzman, the most excellent constitutional president of the republic, to perform our specific and fundamental function, that of defending the national sovereignty and independence, as faithful servers of the constitution and of the laws that guarantee public order, so that our country can live in total peace and tranquility that it has the right to enjoy", say the military chiefs.

And they add that "the armed forces and the National Police (and the large majority of the Dominican population is aware of this) have given convincing proof that we are fulfilling our duty and that in the future we will continue to guarantee the peace, order and tranquility of our country."

The Dominican military chiefs said that "the armed forces and the National Police, alarmed by all of these accusations, in themselves badly intentioned, ask themselves, What is anyone trying to do by alarming the populace?"

They immediately affirm that "these citizens have demonstrated that they want the coming elections to develop in the most normal manner so that the peace and order that they enjoy can keep on being a reality."

The military institutions maintain that "the armed forces and the National Police have said many times, and we want to say it again, that we will support the candidate who is elected by a majority of votes of the Dominican people and that nothing and nobody will be able to dissuade us from our duty because we are constitutional organizations that want the well-being and the progress of our country."

They added that "Aware of our mission, we will stand firm and alert to prevent harm to the Constitution and the liberty that we are summoned to defend, even at the cost of our own blood."

"Please, gentlemen, allow us to work in peace and do our duty," the military chiefs finally said in their communique.

Paper Hails Noninvolvement

Santo Domingo EL NACIONAL in Spanish 18 Apr 82 p 8

[Editorial: "Regarding a Communique"]

[Text] The armed forces and the National Police have just issued a public statement which honors them and makes them deserving of the trust that the constituents placed in them.

"The armed forces and the National Police," reads the above-mentioned statement, "have said on many occasions, and we want to reiterate it once more, that we will support the candidate elected by the majority of the Dominican people and that nothing and nobody will keep us from doing our duty, because we are a constitutional organization that wants the well-being and the progress of our country."

The armed forces have done well in expressing themselves in this manner. This way they reaffirm their loyalty to Article 93 of the constitution, which in an exact and unequivocal way says: "The armed forces are essentially obedient and nonpolitical and do not, under any circumstances, have the power to make decisions. The purpose in their creation is to defend the independence and integrity of the republic, maintain public order and support the constitution and the laws. They may intervene when the executive branch of government asks them to, in community service programs and in programs that promote the social and economic development of the country."

In their public statement, which is the subject of this editorial, and in relation to rumors surrounding a presumed threat of a coup d'etat, the armed forces and the National Police ask themselves, "What is the purpose in worrying and alarming the populace?" The answer is found in the question itself: to worry and alarm the populace!

The armed forces and the National Police have now and will always have many enemies, both within and outside the country. Those enemies are not only the ones who seek their destruction in order to supplant them with other armed units. They are also enemies, at least as powerful if not more so, who, pretending to be friends, try to persuade the military and police organizations that they are the true arbiters of the Dominican society. And this is completely false.

The same constitution that the armed forces and the National Police invoked in their last public statement expresses categorically, in its second series of articles, that the "national sovereignty belongs to the people, from whom emanate all powers of the state, which are exercised by representation." The armed forces and the National Police form part of the populace, but do not constitute all of the populace.

There are many misguided persons who look to the armed forces whenever the rights of their sectors need to be defended. It is quite possible that we are dealing with the scars of a relatively recent past that only in appearance lies buried.

The purpose of the armed forces and the National Police is not the protection of the interests of a few Dominicans and of some foreigners. The fundamental mission of the armed forces is the defense of the country's sovereignty, and this sovereignty is not protected only with gun in hand to keep the foreign boot from desecrating our native soil.

The military and police institutions have asked the political leaders and the mass-communications media "to offer their patriotic cooperation in permitting the armed forces and the National Police to do their work." Never before in the history of Santo Domingo have the armed forces and the National Police been so deserving of respect and trust from different sectors of the population.

EL NACIONAL fulfills its obligation to remind people that it has always maintained a firm stance in relation to preserving the constitutional order; an order that has to be defended at any price. By defending the constitutional order one defends all the institutions of the country, including the military and the police.

Finally, the armed forces and the National Police have done very well by proclaiming publicly that "being thoroughly aware of our mission, we will stand firm and alert to protect from harm the constitution and the freedom that we are called on to defend even at the cost of our own blood."

The military and the police can rest assured that in that case, the great majority of Dominicans will always support them.

The Dominican people are the ones who should decide at the ballot box, who shall govern them. The military and the police constitute the force in charge of making sure that those wishes are respected above everything, above all interests, native and foreign.

The armed forces and the National Police in their last public statement have rendered a great service to the nation they are obliged to serve by virtue of an oath that should be respected at any cost.

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CSO: 3010/1508

BISHOP REPORTS PROGRESS OF, AID FOR AIRPORT CONSTRUCTION

40 Percent Completion

Bridgetown THE NATION in English 12 May 82 p 14

[Text] Prime Minister Maurice Bishop said yesterday that Grenada's new International Airport Project, estimated to cost well over US\$75 million, is over 40 percent complete.

Speaking to a mass rally at the project's site at Point Saline located in the southern peninsula of the island, the prime minister disclosed that since it started, the project had received some EC\$50 million in foreign assistance.

The rally, attended by thousands of Grenadians and scores of foreign journalists here for the historic conference of Caribbean and Latin American journalists commemorated the ninth anniversary of the death of national hero Jeremiah Richardson, who was murdered by the police in April 1973.

At the rally Prime Minister Bishop also broke the ground for construction of the airport terminal building.

Giving details on overseas aid for the project, he said that Libya gave US\$4 million, Syria US\$2 million, Algeria US\$6 million, Iraq US\$2 million and the European Development Fund, EC\$6 million. Algeria, he said, made an overall commitment of US\$6 million, one million of which had already been received. Three million will come this year and the other \$2 million will come next year.

Prime Minister Bishop praised Cuba's tremendous material and technical assistance to the project which, according to him, "is impossible to measure in terms of money." Referring to the hundreds of skilled Cuban workers on the project, he said that "their skills and labour are a true example of genuine internationalism."

Venezuela has also provided some 10,000 gallons of oil worth \$800,000 for the project, the prime minister disclosed. In addition, some \$108 in airport bonds are mobilised by Grenadians in the United States and England where Grenadian patriots are also struggling for the successful completion of the airport.

Line of Credit Offer

Bridgetown ADVOCATE-NEWS in English 12 May 82 p 3

[Text]

ST. GEORGE'S, Grenada, Tuesday, (CANA) — Grenada has welcomed a multi-million dollar line of credit extended by a British company to facilitate the equipping of the island's first international airport now under construction.

Deputy Prime Minister and Minister of Finance Bernard Coard complimented Plessey Airport Limited for its decision to offer a line of credit to cover 85 per cent of a \$33 million (EC \$1 equal 37 cents US) contract to supply and install navigation, communication, ground handling and electronic equipment for the airport at Point Saline.

The agreement was signed here last Thursday by Mr. Coard and Mr. Derrick Collier general manager of Plessey Airport Limited.

Mr. Coard said that the agreement called for a 15 per cent advance payment in

cash.

Mr. Coard said Plessey had done an advance study on the international airport site and handed a copy to Grenada delegation during a Brussels co-financing conference on the US \$75 million project in April last year.

The Minister also thanked the master plan team of experts from Cuba and the head of the team, Ramon Garcia Gutierrez for putting together the plan for the airport site, and Guyanese lawyer Miles Fitzpatrick who assisted with the legal aspects of the agreement.

Speaking on behalf of Plessey Airport Limited, Mr. Collier said that the company was aware of the project early and recognised the need for such assistance.

CSO: 3025/294

BRIEFS

RICE BOARD REFORM--Georgetown, Guyana, Friday (CANA)--The Guyana Government has announced a number of measures to decentralise and streamline the operations of the state-run Guyana Rice Board (GRB). The planned reforms come in the wake of severe shortages of rice supplies this year for Guyana's traditional local and international markets. A statement from the newly appointed Board of Management, said the new measures were to ensure as a priority, that the Caribbean Community (CARICOM) markets was supplied with the commodity. The Board, now under the chairmanship of recently demoted Minister of Regional Development Oscar Clarke, said the most lucrative markets were also to be developed and general efficiency increased. Under the board's new policy, operations such as the sale of fertilisers to farmers, importation of rice farming equipment and spares, and extension of credit facilities to farmers, are to be transferred to other agencies. The statement added that the GRB is to get rid of its large fleet of tractors and combined harvesters as well as some smaller Government-owned mills. The board proposes to lease or sell the equipment to cooperatives or other groups. [Text] [Bridgetown ADVOCATE-NEWS in English 8 May 82 p 3]

LOAN FROM TRINIDAD--Georgetown, Guyana, Monday, (CANA)--The Trinidad and Tobago Government is expected to lend Guyana a further US\$70 million under its Caribbean Community (CARICOM) oil, asphalt and fertiliser facility established in 1980, the SUNDAY CHRONICLE has reported. Last year Guyana received about US\$60 million in credits under the facility which is due to be in operation for three years initially. Overall, US\$200 million will be lent to CARICOM countries to finance the increase in costs of imports of oil, asphalt and fertilisers since 1979. The loans will be for 15 years with a three year grace period for the repayment of principal. [Text] [Bridgetown ADVOCATE-NEWS in English 11 May 82 p 3]

CSO: 3025/297

EXPORTS LANGUISH DUE TO LACK OF FUNDS FOR RAW MATERIALS

Kingston THE DAILY GLEANER in English 13 May 82 pp 1, 2

[Text] Local exporters are presently holding millions of dollars of orders which cannot be filled because of a shortage of foreign exchange to purchase raw materials, Mr Ian Murphy, a Director of the Jamaica Exporters' Association, said yesterday.

This disclosure was made at a press conference, at the J.E.A. headquarters in New Kingston, attended by Executive Members of the J.E.A. and of the Jamaica Manufacturers' Association.

Mr Murphy said that exporters were badly in need of foreign exchange with which to purchase raw materials and were faced with the predicament of having to hold orders which could not be filled.

The President of the J.E.A. Mr John Fletcher, said J.E.A. members were disappointed in the 1982 Budget which established no preferential role for exporters. He said that based on the Budget, insufficient assistance would be provided to the export sector to enable it to achieve the massive growth in exports which the country needed.

"We cannot produce at the expected levels if we are expected to stand in line with every other sector of the economy for our share of available resources," Mr Fletcher declared.

According to him, substantial growth in earnings from non-traditional exporters should be expected only if the Government recognized a system of priority treatment for the export sector.

Citing a case in point, he said that the J.E.A./J.M.A. Expo-Jam Mission which returned from Trinidad and Barbados in January with a record U.S. \$8-million in orders had received no specific assistance in related licences or foreign exchange to meet these orders.

As a result, the manufacturers who took part in the Mission are among the "numerous persons crowding the door of the Trade Administrator's office waiting to receive licences for raw materials."

The J.E.A. President said that members of the Association were pressuring him to confront the Government with their problems of foreign exchange shortage, import licences shortage and the unpredictability of the issuing of these licences, as well as the erratic and unreliable electricity supply.

Air and sea transport continue to increase in cost, with little or no improvement in the service, he added. The practice of "stripping" containers at the wharf was also causing additional delays and costs to a critical part of the export process, Mr Fletcher said.

Although the exporters had received sympathetic hearing on their problems Mr Fletcher said nothing tangible had been done whilst they were entering the fifth month of a year for which they had high hopes.

Mr Fletcher repeated the Association's call for the implementation of an incentive programme for exporters. These include: accelerated depreciation of fixed assets used in export production; implementation of the Harmonisation of Fiscal Incentives Scheme; reduction of interest rates for Jamaica Export Credit Insurance Corporation discounting facilities.

A reward mechanism linking foreign exchange entitlement to foreign exchange earnings should also be initiated.

These incentives, the J.E.A. President said, were necessary not to increase exporters' profits but to enable them to lower prices in order to compete on the foreign markets. The harsh truth was that most of the countries with which local exporters were competing have been offering these incentives which meant that benefits were passed on to importing countries in the form of lowered prices.

Constraints on supplying orders have further eroded an already-damaged credibility of Jamaica as reliable suppliers and were also reducing Jamaica's ability to buy from CARICOM partners, Mr Fletcher also pointed out.

Manufacturers in Trinidad and Tobago and Barbados were "complaining bitterly" because they cannot obtain import licences to ship goods to Jamaica. Licences which had been issued require a one-year wait for payment for their goods. These complaints were forming the basis of serious agitation to restrict the flow of Jamaican goods to CARICOM markets, the J.E.A. President said.

CSO: 3025/294

TRINIDAD-TOBAGO JOINS BARBADOS IN EXPORT REPRISAL THREAT

Kingston THE DAILY GLEANER in English 14 May 82 pp 1, 14

[Text] Trinidad Manufacturers have joined Barbadian manufacturers in a call for "retaliatory action" against Jamaican goods coming into their countries because of the unbalanced nature of trade between the two southern Caribbean territories and Jamaica.

Mr John Fletcher, president of the Jamaica Exporters Association, told the GLEANER that in a telephone conversation with an official of the Trinidad and Tobago Manufacturers Association he had learnt of the call of the manufacturers there that may lead to a boycott of Jamaican-manufactured products.

Trinidadian and Barbadian manufacturers are disgruntled over the fact that whilst they have been placing millions of dollars worth of orders with Jamaican manufacturers, they have not been able to export to this country due to a non-issuance of licences, by the Jamaican Government.

On Wednesday, in a telegram to Mr Fletcher Barbadian manufacturers voiced their dissatisfaction with a system which allows them to make orders which are not immediately filled and does not allow their products onto the Jamaican market in a reciprocal agreement.

The Barbadian manufacturers have threatened to cancel their orders from Jamaica as a result and have asked the Jamaica Exporters Association "to intervene or assist so as to avert unpleasant action which could only destroy cooperation between our associations."

Mr Fletcher said that insufficient raw materials to keep production going uninterrupted, uncertainty as to when orders received could be filled in part or totally, and the difficulty of keeping one's business viable, are some of the most pressing problems causing frustration among Jamaican exporters.

The crux of the problem is the unavailability of foreign exchange. As Prime Minister Edward Seaga explained some weeks ago, funds available under credit lines are in short supply for the first half of the year but are increased considerably during the latter part of the year.

"But that knowledge does not help our situation," Mr Fletcher said. Just as funds are unavailable for the importation of raw materials, few cash licences are being granted to distributors here to import finished products. "Credit

licences are available in some cases on a 360-day term but I know of no manufacturer here or elsewhere who can wait one year for his money," he said.

Chaos at the Trade Administrator's Department, which is only now being sorted out, also contributes to the exporter's problems.

"There are some people who have access to foreign exchange through credit lines, retained accounts, or the Export Development Fund, and so are not applying for funds out of the foreign exchange reserves, but yet they cannot get their licences out of the Trade Administrator's Department. It should be a simple matter for such persons who are getting alternative funding to get their licences but they have to wait in line with everyone else," Mr Fletcher said.

"We understand that the total allocation for the manufacturing sector this year is \$179 million and that already 40 percent has been granted in licences, which would suggest that a considerable amount has been issued. Yet the complaints from our members get more and more bitter every day and the consensus is that they are undersupplied with raw materials."

A check with some of the manufacturing companies revealed several of them with orders from CARICOM for thousands of dollars worth of goods (two of them are holding orders from Trinidad for \$1 million worth of their specific manufacture) but who are unable to supply these items due to lack of raw materials.

One manufacturer said that he has raw materials and finished products but is still unable to sell since the company from which he purchases packing materials is out of supply.

Some said they have received no cash licences but were able to qualify for credit under the Export Development Fund.

One small manufacturer lamented the fact, however, that it is only the larger manufacturing concerns which can qualify for E.D.F. funds. "It is very difficult to qualify and get onto the fund and although the politicians are saying we must use the E.D.F. that is easier said than done," he said.

CSO: 3025/294

CRITICISM OF LATEST BUDGET CUT BY PPS, PSUM, PRT, PST

Mexico City EL DIA in Spanish 22 Apr 82 p 10

[Article by Angel Aguilar Perez]

[Text] The budget cut amounting to a total of 8 percent will affect government plans, and the country is heading for a recession which will prevent the Gross National Product from growing by even 5 percent (it has grown by 8 percent for the past 3 years), representatives of the Popular Socialist Party (PPS), Unified Socialist Party of Mexico (PSUM), Revolutionary Workers Party (PRT) and Workers Socialist Party (PST) told EL DIA. They also warned that unemployment will climb in both the public and private sectors.

They indicated that the federal government's new decision means another victory for the industrial and commercial bourgeoisie.

Hector Ramirez Cuellar, a member of the PPS Central Committee, noted that public spending is fundamental to economic development, and any reduction in that spending will affect the economy as a whole, especially if there is not much private investment.

"Mexico should have a broad-based budget financed primarily with internal resources; external resources should be at a complementary level. Unfortunately, the opposite is the case today."

Interviewed moments before entering the meeting of his party's National Directorate, Ramirez Cuellar stressed that the foreign public debt will have reached 3 trillion pesos by the end of this year, which "should concern us if we want independent development."

The government itself, he added, has realized this and has begun to renegotiate the debt, because many of its obligations are short-term.

In the opinion of Ramirez Cuellar, two serious problems will result from the budget cuts:

--There will be a decline in employment (some government programs have been cut back as much as 40 percent); and

--The growth of the GNP will be the lowest ever; that is, "there will be a situation of stagnation, of recession in terms of production. The economic indicators reveal this. The Mexican economy will hardly grow at all this year, so its mainstay, public investment, will come to a halt."

The estimates of the GNP growth rate by the party officials interviewed range from 5 to 6 percent (PPS), to not even 5 percent (PSUM), to barely 3 percent, "with luck and if the oil sector is omitted" (PRT).

Valentin Campa, member of the PSUM Central Committee, asserted that the government's decision to implement budget cuts means that "the situation continues to take on ever more serious implications," and indicated that "the economic policy now being applied must be modified."

He said that with this reduction "the Clouthiers and the Garza Sadas" must be happy, and added that the main recession is in the private sector. "Mexico is undergoing a state of depression. Unemployment has been felt in two sectors for some time now."

He termed the economic measures announced by the Secretariat of Finance "mere palliatives," and predicted that production will plummet.

Ricardo Pascoe, in charge of economic studies for the Revolutionary Workers Party (PRT), claimed that in view of this new aggression against the Mexican people, there is no doubt that the government of the country is following the economic instructions of the International Monetary Fund.

"The budget cuts, the reduction in subsidies on basic consumer goods, the wage cuts, and the very fact (although it is still a rumor now) that the government is thinking of setting the peso at 60 to the dollar, paint a recessionary picture. The workers will obviously have to carry this burden," he commented.

He stated that this kind of measure further impoverishes the masses while concentrating the wealth in the hands of a few.

He indicated that while jobs have been created, "the trend is toward the lay-off of workers in all sectors (textiles, automobiles, mining-metallurgy, telephones), and this will not only deepen unemployment, but will also aggravate underemployment."

The legislator of the Workers Socialist Party, Jesus Ortega, called the above-mentioned budget cut "blackmail" by the private sector, and contended that the government is afraid to take realistic economic measures such as profound fiscal and economic reforms.

"This reduction," he said, "will obviously cut into major programs, and will have an impact on the state's role as director of the economy."

8926

CSO: 3010/1576

SOCIOLOGIST ON ECONOMIC MEASURES' IMPACT

Mexico City EXCELSIOR in Spanish 25 Apr 82 p 11-F

[Text] Traditionally, terrorist acts in Mexico, when there have been any, have been encouraged and financed by foreign interests. But in view of the economic crisis that is assaulting the low-income classes, this situation could change. If these social concerns do not find legal channels, there will be a serious threat to Mexico's stability.

This was asserted today by the new president of the Association of Sociologists of Mexico, Luis Fernando Chavez, in a spontaneous press conference that took place after he took office in this organization, which represents all of the members of that profession in the country.

He pointed out that the new economic measures will cause the middle class to undergo a process of proletarianization, while the proletariat will reach a level of poverty and desperation that could lead them to participate in that social pathology that is composed of drug addicts and prostitutes.

Fernando Chavez stated that the cuts in public spending will exacerbate the problems of housing and employment, and the buying power of the worker will shrink further as inflation marches onward, enabling the rich to become richer and the poor poorer.

He criticized the secretary of patrimony and industrial development for having suggested that the price of public services will increase as a result of the new budget cuts, and said that this kind of statement should be backed up by a broad program of action to counteract inflation.

Finally, he stated that economists would be the most appropriate people to explain whether the government has decided to trade inflation for recession, but at a high social cost that could jeopardize the stability that the country has enjoyed for the past 60 years.

8926

CSO: 3010/1576

CONCERN EXPRESSED OVER UNEMPLOYMENT

CANACINTRA Official's Statement

Mexico City EXCELSIOR in Spanish 25 Apr 82 pp 1-A, 8-A, 31-A

[Article by Jose Manuel Nava]

[Text] The National Association of the Processing Industry (CANACINTRA) warned yesterday that the country is facing an economic problem "perhaps more serious than any we have ever had." It predicted an undeterminable increase in unemployment, while announcing that it will demand that the government "put into practice" the private investment incentives announced recently. It also noted that it is necessary to prevent a combination of recession and inflation.

The first vice president of CANACINTRA, Rafael Anaya Gonzalez, also asked that the state grant private investors certain facilities for raising prices in order to guarantee "an honest profit" that will enable them to combat the inflationary process through productivity.

The leader of the processing industry--the most powerful private economic sector in the country--stressed that wage increases of 30, 20 and 10 percent, "already granted at all levels and on a retroactive basis," will drive up the national unemployment rate, presumably because businesses unable to deal with such wage raises will have to shut down.

"We will do everything possible to prevent this, so that unemployment will not soar as a result of the wage increases agreed to by the Secretariat of Labor on 19 March." However, the business leader did not guarantee anything, and said only that "we will continue to work along the same lines" in the "nationalist CANACINTRA."

He expressed the opinion that the government has given certain concessions to the private sector, but pointed out that soon "we will talk with Secretary of Patrimony and Industrial Development Jose Andres Oteyza to make him see that we need something more tangible."

Anaya suggested that there has already been an agreement in principle with President Lopez Portillo in this regard. "The day before yesterday we met

with him, and when we expressed our concerns, he told us to talk with Oteyza, and said that he (Lopez Portillo) was a 24-hour president for the purposes of studying these problems."

He also mentioned the announcement of increases for all the services rendered by the government, and stated that "of course" they may spur inflation, but he insisted that inflation should be combatted with production: "The more we produce, the less everything will cost us."

Anaya maintained that he did not know to whom President Lopez Portillo was referring the day before yesterday when he spoke of "rapacious selfishness that is impoverishing Mexico." "As far as we industrialists are concerned, we are working for the good of the country and we do not engage in pillaging."

No More Devaluation

He reported that during the meeting between the industrialists and the president, the latter assured them that there will be no new devaluation of the peso, that exchange control will not be implemented, and that there will be no regulation of bank accounts in foreign currencies.

With regard to the failure of measures to stop the flight of capital and the "slippage" of the peso against the dollar, and the eventual need to institute exchange control, Anaya repeated that CANACINTRA opposes any initiative in that area, although it has mentioned a flexible control of the rate of other highly industrialized, capitalist nations.

"The Bank of Mexico has already defined its position on this matter and explained why it is impossible to implement exchange and foreign currency control in Mexico. In short, a system of this kind is not suitable for anyone," he said.

He also mentioned the president's assertion that the dollar will go "as far as you want it to; if you continue to take foreign reserves out of the country, the peso will continue to slide," the vice-president of CANACINTRA quoted the president as saying.

He rejected the notion that the Lopez Portillo administration has erred in its economic policy. "The economic policy was right for its time; now we see a few deviations and abnormalities, which occur in all countries," he said.

He noted that the government is not trying to make excuses now through presidential statements, "but rather is acting as the situation dictates. The restriction of public spending will curb inflation, and we will be better off if there is no inflation."

He insisted on the need to avoid something that would indeed be very serious: recession coupled with inflation. "We cannot deny that we have grave problems, perhaps more serious than any we have ever had. We are aware of them, and we have to move ahead."

"We Are Not Taking Money"

In response to statements by opposition deputies in the forum of the Congressional Standing Committee to the effect that industrialists continue to take large sums of money out of the country, Anaya said that businessmen and industrialists are willing to engage in a serious debate on the subject with whatever deputation requests it. "We are willing to do so, especially because our consciences are clear."

He emphasized that industrialists "have not taken money out of the country, simply because there is no money, and you cannot take what you do not have. We wish we did have money so that we could continue investing and solve our problems. As you know, there is a tremendous lack of liquidity in industry."

"We have great problems," insisted Anaya, claiming that "we are aware of them but we will continue to invest in Mexico and to work for Mexico because this is our home, and we want to build something better for our children."

The vice-president of CANACINTRA indicated that industrialists are willing to cooperate with the government to bring in the 150 billion pesos it will need in the near future, although he declined to answer a question about any sacrifice of profits by the private sector as part of the sacrifice demanded of the people.

"Taxes will go up," he said, "and the only thing we want is to earn a profit and to have facilities for raising prices. Then we will automatically cooperate with those . . . 150 billion pesos."

Nonetheless, he added that "for some time the industrial sector has been sacrificing profits; industrialists do earn a living, but not the way people think. We want what is fair, so that we can recoup our investments and be able to reinvest our profits."

Implement Incentives

Referring to the 12-point austerity plan announced by Secretary of Patrimony and Industrial Development Jose Andres Oteyza, Anaya said that "we in CANACINTRA have analyzed the implications of this plan, and we will not benefit from it very much, if at all."

He remarked that in this regard the situation must be viewed realistically so that the private sector will be able to keep its payrolls full.

He said that the stimuli announced by the government have not been granted, and that after analyzing the situation and correcting the 15 percent of the payrolls, "we see that the incentives will not help us more than 1.5 percent, and when translated into numbers that is very little."

Anaya was interviewed after inaugurating and touring the facilities of the First Toy Demonstration, at a hotel in this city, aimed at wholesalers and distributors. According to Anaya, this industrial sector is one of the most dynamic, and is second to none in quality.

The demonstration has exhibits of traditional toys with practically no technological or design innovations.

Forecast for Jalisco

Mexico City EXCELSIOR in Spanish 25 Apr 82 p 8-A

[Article by Eduardo Chimely]

[Text] Guadalajara, Jalisco, 24 April--The 50 percent cut in the public works program will put some 100,000 workers out of work, stated Eduardo Padilla Quiroz, president of the Association of the Construction Industry, Jalisco delegation.

He indicated that the federal government owes the nation's builders about 200 billion pesos for work already done. The official measures will bring the growth rate of this industry down to a mere 7 percent.

Padilla Quiroz said that many construction firms will close down for lack of projects, and economic problems will be aggravated by high production costs.

Before the country experienced economic difficulties, the construction industry had a shortage of skilled labor; but "now there is a surplus due to high unemployment."

8926

CSO: 3010/1576

REPORT ON COMPTON'S RADIO, TV INAUGURAL ADDRESS TO NATION

Bridgetown ADVOCATE-NEWS in English 10 May 82 p 3

[Text]

CASTRIES, St. Lucia, Sunday (CANA) — Prime Minister John Compton Friday said St. Lucians had demonstrated to the world that whatever their problems, solutions could be found in the democratic process of free and fair elections.

He was commenting on the three years of political instability in this young independent island which ended when his United Workers Party (UWP) was returned to power with a 14-3 majority in the House of Assembly.

In his inaugural address to the nation on radio and television, hours after his new Cabinet had been sworn in, Compton said that the results of the island's recent problems could have been different "were it not for the steadfastness of our people and the determination of our police to preserve the sanctity of the constitution and the democratic process."

He added: "But for this St. Lucia could have been brought into subjugation of a military dictatorship supported by foreign elements hostile to the democratic process."

During last Monday's elections, the police force mounted unprecedented security measures at polling stations, key installations, the state-owned radio station and main police station in anticipation of any trouble which might develop once the results were known.

Compton called on St. Lucians in their days of jubilation "to resolve to keep St. Lucia free." The election results, he said, were "a vote against corruption, economic mismanagement, confusion,

instability and violence and a vote for unity and peace and a return to sanity."

Compton assured St. Lucians that his government, within the framework of the law, would deal firmly with those who refused to accept the sovereign will of the people in the elections.

This statement was believed to be in response to claims by Progressive Labour Party (PLP) leader George Odum that the election results were "a distortion" of the wishes of the people and that Compton had "no legitimacy" to govern.

Odum, whose party won only one seat in the elections, also predicted that Compton's Government would not last its full five year term.

Compton said his government would embark on no witch hunt of its opponents in the last St. Lucia Labour Party (SLP) administration. He added: "We have no policy of victimisation. This does not mean that several friendly countries will be visiting St. Lucia to assess our needs and see how they can help."

He announced his intention to create a tripartite consultative committee on industrial relations, comprising government, the trade unions and the private sector, to deal with problems in that field and to advise the government.

During the next few days, Compton said, he would again be addressing the nation on the state of the island's economy and the measures the government plans to adopt to put St. Lucians back to work.

LABOR LEADERS RAP CBI, GOVERNMENT, DISUNITY ON MAY DAY

Port-of-Spain TRINIDAD GUARDIAN in English 3 May 82 p 3

[Text]

CARIBBEAN Basin Initiative (CBI) is a cynical strategy by the United States administration to intensify American neo-colonialist penetration in the region and to entrench and institutionalise American imperialism in the area buttressed by American arms.

Lawyer Allan Alexander, gave this assessment of the controversial CBI at Saturday's annual May Day celebrations of the Council of Progressive Trade Unions (CPTU).

In an address entitled "The crisis facing the working class," Mr. Alexander lambasted the disunity in the labour movement and called on workers to press their trade union leaders to achieve unity.

He noted others were saying the CBI's hidden intention was to destroy the movement towards regional integration for which the Caribbean peoples, and particularly its labour leaders, had been fighting for more than 150 years.

After making more critical comments on the CBI he continued:

"All this we can deduce from what the American Administration has said about the CBI, for so far they have sought only to dangle the carrot of economic aid but what about the military consequences?"

"It does not appear that that is for public consumption. But are not the people to know what the military consequences will be for them in accepting the pittance offered which can

in no way assuage their hunger, alleviate their poverty or bring an end to their ignorance?"

The cynicism in the CBI, he said, could be seen from the fact that by far the greater portion of the "so-called aid" is to be given to El Salvador, a country which is not washed by the Caribbean Sea.

"Stretch your imagination as you may, El Salvador's face cannot be washed in the Caribbean Basin even if it were a calabash" (laughter).

"But Grenada, Cuba and Nicaragua are Caribbean countries. Indeed Grenada, as we might say, is plunk in the Caribbean. But none of these countries is to 'benefit' from the CBI on the allegation that they are communist satellites."

Referring to the split in the local labour movement on alleged ideological grounds, Mr. Alexander, said one never heard the Chamber of Commerce splitting for such reasons, members had differences and they sat down and ironed them out.

"There can only be one ideology in the labour movement... working towards its improvement."

Dwelling on the question of increased productivity, Mr. Alexander said when the national consultation on this topic is resumed, labour leaders should ask this question and get a firm answer — "how would workers benefit from increasing production, what is in it for them?"

Mr. Alexander, who was given a standing ovation at the conclusion of his address, said labour unity was of paramount

importance in this country.

In a militant mood, Mr. Clive Nunez, president of the Transport and Industrial Workers' Union (TIWU), said if Prime Minister George Chambers and his government did not implement recommendations from the labour movement when the consultation is resumed there would be dire consequences.

Most of the speakers spoke in fearful terms of present and planned retrenchment.

TAX STRUCTURE

Mr. Harold Taylor, President of the Trinidad and Tobago Unified Teachers Association (TTUTA), in bringing greetings from TTUTA, underlined the need for labour unity.

Although he did not refer to his recent moves to bring CPTU and the Labour Congress, around the table to discuss the matter, Mr. Taylor said unity was of absolute importance.

One matter he said the labour movement must immediately take up was the unfair income tax structure.

"I wish I had got as take home, the money the taxman took out of my recent backpay...that system must be changed immediately."

Cardinal Greene, a representative at the Mount Hope Medical Complex site of the Brotherhood of Construction and Industrial Workers Union, told the audience that workers at that project were disenchanted with the union.

"They have changed the first name of the union to 'Robin Hood,' he said.

POWER OUTAGES WORSEN; TTEC HEAD JULIEN UNDER FIRE TO QUIT

Editorial Criticism

Port-of-Spain SUNDAY GUARDIAN in English 9 May 82 p 8

[Text]

AFTER years, months and more recently days and weeks of the most intolerable lack of electricity in the country we call upon the chairman of the Trinidad and Tobago Electricity Commission, Prof. Kenneth Julien, to resign immediately and allow somebody else to do the job.

We cannot and must not continue to put up with the totally unacceptable state of affairs which we have been experiencing with electricity.

Far from there being any improvement the situation is deteriorating and we are tired of the excuses of Mr. Roy Mitchell, TTEC's public relations officer, when we can find him.

On Thursday, the whole Northwest Peninsula was blacked out from 12.15 p.m. to about 7 p.m. and again from about 11 p.m. until after midnight.

On Friday, from about 8 a.m. the blackout continued for hours. The same was true of Maraval and several other areas of the country.

TTEC explained that the fault lay with a bearing on a No. 4 80-megawatt generator. Our understanding is that the facts are quite different.

There are many other factors responsible, some of which TTEC may not even be aware of. Not only that, even those matters of which TTEC are aware of exactly zero is being done to correct.

Prof. Julien himself stated in 1979 that if by mid-1980 there was no obvious improvement, the country would know that a serious management problem existed.

We know now that the problem exists. It is getting worse, and it will not by itself end itself.

Waste, suspected sabotage, insubordination, plain inefficiency, and cover-up combine with stolid indifference to blacken the path to progress.

Over the last six years TTEC has bought 11 new generators and we learn they are about to buy four more. They must inform the public just where

the power these generators represent is being used and justify therefore the need for new ones.

Indeed, money is not the problem. The solution to the problem that exists does not lie within the skills of the present management of TTEC. The solution is there for all to see.

The plain fact of the matter is that Prof. Julien has had his chance and failed miserably.

We call on the Government of Trinidad and Tobago to do something about TTEC. In this day and age with all the experts available, with all the energy we have, there can be absolutely no excuse for the utter nonsense that is going on.

► The time for action is now if the Government finds itself unable to provide the country with a proper power supply, it must face reality and come up with an alternative. Perhaps the time has come to let private enterprise make it work.

Chambers Action

Port-of-Spain TRINIDAD GUARDIAN in English 13 May 82 p 1

[Text] Prime Minister George Chambers has stated that the current spate of electricity blackouts cannot be allowed to continue, and has requested explanations and action from TTEC through the Ministry of Public Utilities, Senator John Eckstein.

His request came just as the country was hit by a massive blackout yesterday evening, which affected areas ranging from Diego Martin to Port-of-Spain to San Juan to Trincity to Arima.

Businesses and private homes recovering from several days of load shedding, were again plunged into "darkness" and inactivity when eight of nine generating units at the Point Lisas Power Station tripped off, followed shortly by all three units in service at the Port of Spain station.

The Trinidad and Tobago Electricity Commission (TTEC) was unable to give an explanation for the tripping off of the units, which were said to be unrelated to the difficulties that caused load shedding over the last few days up to Monday.

In a letter to Senator Eckstein, Prime Minister Chambers expressed his grave concern about the frequent outages which so many areas of the country had so long been enduring.

"In very recent days the very bad situation has, almost incredibly, managed to get worse. This state of affairs clearly cannot be permitted to continue," said Mr Chambers.

Noting that an awareness of the causes of "this deplorable breakdown of a basis utility" had to be known before effective action could be taken, he called for report from TTEC by the end of this month.

The Prime Minister has asked for detailed and specific answers to several questions. "Specify in detail each mechanical or other defect involved, explaining what, if any steps were taken to forestall such an occurrence. Detail all material circumstances that had any bearing on whatever is reported as the cause of the trouble," he instructed.

He wants to know if anything similar ever happened before, and if so, what precautions were taken to avoid a recurrence. "What, if any, circumstances foreseeable or unforeseeable, occurring accidentally, negligently, deliberately, by act of God or otherwise, contributed in any way to the breakdown of the service?" Mr Chambers further inquired.

Finally, the Prime Minister wants to know what, if any, assistance, advice, expertise or other facility TTEC requires to prevent any such similar recurrence of electricity problems.

Chamber of Industry and Commerce president, Mr Ossie Hale, said yesterday that there had been a tremendous loss of production in the country due to those load shedding before Monday. "The cost is just fantastic and will certainly run into millions," he declared.

Mr Hale added that yesterday's blackout was sure to aggravate the position and he could not even begin to put a dollar costing on its effects. Practically no work was done at major industrial centres such as the Diego Martin Industrial Estate, the Fernandes Industrial Estate, the Trincity and Arima Industrial Estates yesterday evening.

Factories and stores sent home their workers, shoppers stayed out of darkened stores, and, to cap it all, electrically driven water pumps failed to send water through the pipes. In food factories all work stopped and large quantities of material being mixed had to be thrown away.

Load Shedding To Continue

In their statement made in mid afternoon yesterday TTEC advised that two of the eight tripped out units at Point Lisas had been returned to service. Work was proceeding to bring back into the system other Point Lisas units and the three at Port-of-Spain, a process expected to extend into late evening.

The statement by TTEC's Public Relations Officer, Mr Roy Mitchell, reads:

The Trinidad and Tobago Electricity Commission wishes to apologise to consumers who were affected by the disturbance in supply which occurred at around 1.00 p.m. today.

At that time eight of the nine generating units which were in service at the Point Lisas Power Station tripped off the system and this was followed shortly afterwards by the tripping off the three units which were in service at the Port of Spain Power Station.

The precise reason for this has not yet been conclusively established.

Two of the units at the Point Lisas Power Station have since been returned to service and up to the time of preparing this statement at 3.00 p.m. the other units, both at the Port-of-Spain and Point Lisas Power Stations, were in the process of being returned to service.

This is expected to extend into the late evening.

It will therefore be necessary for the Commission to continue shedding loads until this particular situation has been normalised.

This incident is not related in any way to the circumstances which necessitated the shedding of load which was being experienced up to Monday 10th.

CSO: 3025/296

ISCOTT PLANS SECOND TRINIDAD IRON REDUCTION PLANT

Port-of-Spain TRINIDAD GUARDIAN in English 8 May 82 p 1

[Text]

THE IRON and Steel Company of Trinidad and Tobago Limited (ISCOTT) has commissioned its second direct reduction plant.

According to a release from the company, the plant is identical to the first D.R. module now in service and has the capacity to produce 450,000 metric tons of direct reduced iron a year.

Over the past five days, senior operations personnel have been monitoring the performance of the plant.

Following the observation period, Prem Nandlal, ISCOTT's Superintendent, Direct Reduction, confirmed that the plant had successfully attained its production performance level of 58 metric tons of direct reduced iron (DRI) per hour.

D.R.I. is produced by blowing hot reducing gases through iron ore which is imported from Brazil.

The gases react with the

ore, burning out the oxygen molecules, to produce high quality pellets and lumps of up to 94 per cent metalisation.

D.R.I. is either melted and processed into high quality steel billets at ISCOTT, or sold on the international market, for production of a similar product.

To date, ISCOTT's D.R.I. sales are as follows:

November 1980 — 13,000 metric tons to Spain.

March 1981 — 27,000 metric tons to Brazil.

May 1981 — 25,000 metric tons to Brazil.

July 1981 — 27,000 metric tons to Brazil.

January 1982 — 26,000 metric tons to Brazil.

TOTAL — 118,000 metric tons.

The commissioning of D.R. 2 means that ISCOTT now has a total D.R.I. production capacity of 900,000 metric tons a year.

CSO: 3025/295

MINISTER DEFINES RELATIONSHIP WITH STATE ENTERPRISES

Port-of-Spain TRINIDAD GUARDIAN in English 8 May 82 p 3

[Article by Ramdath Jagessar: "State Enterprises To Be Given More Financial Control"]

[Text]

THE MINISTRY of State Enterprises is working to ease the somewhat strained relations between some state enterprises and the Ministry itself, and to introduce a greater measure of financial responsibility in the companies.

Commenting on the early operations of his bulging portfolio of some 49 majority or fully-owned companies worth over \$4 million, Minister of State Enterprises, Senator Ronald Williams, was forthright in his usual manner.

"There seems to have existed some suspicion on the part of some companies in respect of the Ministry. Getting information from some of them is like drawing teeth, and it may come reluctantly and not very timely," he said.

He was pleased to note that after communications with the boards of several companies and discussions at policy level, the Ministry was getting better co-operation.

"We are continuing a programme of closely examining the operations of state enterprises and have been able to rein in a few and to exercise more control over some of them."

He noted that there was no information that state companies were entitled to withhold from the ministry which did not control day-to-day operations but overseered policy, budgeting, expansions, and new directions.

Senator Williams stressed that, as Prime Minister George Chambers had noted, different economic conditions and forecasts made it vital to take stock and look where things were going. He stated that all major projects would have to be re-examined, in particular such huge ones as the \$2 to \$3 billion LNG plant and the aluminum smelter.

Several state enterprises were run efficiently and responsibly, but in others Senator Williams saw unacceptable financial practices.

He charged that "too many of the companies don't have the financial control that one expects with such large capital investment, and having regard to the very high salaries paid."

To illustrate, he spoke of state enterprises which had not yet submitted their 1980 and 1981 accounts, with cases of companies not having yet prepared their 1981 accounts. There were also cases where state

enterprises had not yet, at this late stage, submitted their 1982 budgets to the Ministry.

EFFICIENCY

He emphasised that in looking at state enterprises one had to consider more than purely profit considerations, as existed with a private company. Service companies had other criteria to think of, and in some cases one had to measure job considerations and the stability of entire communities.

But he insisted that state enterprises had to operate in the most efficient manner possible in the circumstances and strive to make themselves financially viable.

Senator Williams has a portfolio that is bigger than any local conglomerate, with a wide range of companies to deal with. Among them are Caroni Ltd., Trinidad and Tobago Oil Company, ISCOTT, Trinidad Cement Limited, Trinidad and Tobago Television, National Feed Mill and Lake asphalt.

In the portfolio, too, are the Solid Waste Management Company, BWIA, TELCO, Trinidad and Tobago Meat Processors and Farrell House Limited.

THREE INJURED IN EXPLOSION ON AMOCO OFFSHORE OIL RIG

Port-of-Spain SUNDAY GUARDIAN in English 9 May 82 p 1

[Article by Azard Ali]

[Text]

AN EXPLOSION on an Amoco oil rig yesterday morning almost caused the deaths of three workmen as fire swept through the control room of the Teak Echo platform off Pt. Galeota, some 25 miles off the point.

Daune Harrison, 60, a Texan employed as a maintenance engineer with the American oil company; John Mohammed, 47, of Centenary Street, Princes Town, and Victor Guevara, 35, of Mary Street, Siparia, maintenance workers, received multiple burns about their body after the explosion around 10 a.m.

The men were taken to the San Fernando General Hospital by the

company's helicopter where they were treated and detained.

AMOCO personnel confirmed the explosion but refused to state the extent of damage done to the platform, except to say the flames did not envelop the entire platform.

Mohammed, father of three, told the "Sunday Guardian" from his hospital bed: "We went offshore on call. Two minutes after we landed at the Teak Echo platform someone lit a cigarette and suddenly there was a loud explosion."

The Texan Harrison who is staying at the AMOCO'S guest house Mayaro, received the worst injuries and up to Press time he was still under intensive care.

CSO: 3025/295

GOVERNMENT TO SEARCH ALL INTERISLAND SHIPS FOR CONTRABAND

Bridgetown ADVOCATE-NEWS in English 10 May 82 p 3

[Text]

PORT-OF-SPAIN, Trinidad, Sunday, (CANA) — Trinidad and Tobago's Customs officials are planning thorough searches of all inter-island schooners doing business with this twin-island state because of a thriving illegal trade in liquor and basic commodities, a spokesman said yesterday.

The plan was disclosed after customs officials discovered nine bottles of whisky hidden among fruit brought in from Grenada by a schooner. The officials described it as a small find.

They said several basic commodities the prices of which were kept down because of heavy subsidies by the Trinidad and Tobago Government were being smuggled out of the country on the same inter-island schooners.

The traffickers, who have been identified as Grenadians mainly, were said to buy whisky at about TT\$6 a bottle in Grenada and it sells on the Trinidad and Tobago black market at TT\$20 a bottle.

The traffickers take away

goods such as sugar, flour, rice, potatoes and kerosene (pitch oil), which fetch high prices back home.

The goods are subsidised for local consumption and consequently no export licences are granted to the foreigners by the Ministry of Industry and Commerce, the spokesman said.

A fixed quota of the locally produced goods such as sugar, flour and kerosene is officially exported by local industries.

Kerosene, retailed here at 40 cents a gallon, fetches about \$5 a gallon in Grenada and locally produced sugar is said to be of a higher quality than that Grenada imports from Cuba.

When coming here, the traffickers hide whisky among the vegetables and fruit, evading the \$80 a gallon customs duty and purchase tax and as a result are able to sell liquor less expensively than the bona fide outlets, the spokesman said.

Two people were held and fined a total of \$2 000 by the comptroller of customs after the small whisky find.

CSO: 3025/295

BRIEFS

OPPOSITION CHARGES--San Fernando--A motion calling for the setting up of a parliamentary committee to investigate reports of corruption in the country has been filed with the Speaker of the House of Representatives, by Opposition Leader Basdeo Panday. The Opposition Leader claims that there are too many reports of corruption at all levels of the society and he believes that such a special committee should be set up by Government to investigate the reports. Meanwhile, Mr Panday has supported the call by the GUARDIAN for the resignation of Prof. Kenneth Julien, chairman of the Electricity Commission. The resignation call was made after it was noted there is still "a most intolerable lack of electricity in the country." Mr Panday asked: How much longer can this country afford to tolerate this type of operation by T and TEC-outages, serious effects on the business community and much inconvenience to the public in general? [Text] [Port-of-Spain TRINIDAD GUARDIAN in English 11 May 82 p 7]

SUGAR WORKERS' LAND--San Fernando--Opposition leader Basdeo Panday (ULF Couva North) has issued a call to Prime Minister George Chambers to have government release 100 acres of lands to ease the housing problems of sugar workers. Mr Panday, President of All Trinidad Sugar and General Workers Trade Union, said that his union was now in a financial position to purchase the land from government. He said the union will develop the lands and make plots available to the sugar workers at very reasonable costs. He has since written the Prime Minister on the matter. The sugar union leader said that his union intends in the first instance to use the venture as a pilot project in an attempt to assist the workers from being thrown on the streets. He said the sugar workers have tried everything possible to have plots of land made available to them so that they could erect their homes. So far they have not been fortunate in getting such assistance either from Caroni Limited or from the Sugar Industry Labour Welfare Committee. Mr Panday's move is the latest development in the squatting issue between Caroni and sugar workers occupying lands owned by the company. [Text] [Port-of-Spain TRINIDAD GUARDIAN in English 11 May 82 p 7]

CSO: 3025/296

POLITICAL CRISIS DUE TO FISCAL PROBLEMS FEARED

Caracas RESUMEN in Spanish 18 Apr 82 pp 4-7

[Article by Juan Carlos Rey]

[Text] Probably the gravest problem this country is facing as a result of the current international oil market crisis and the resultant drop in earnings is of a political nature. It is in fact necessary to make a rigorous economic analysis to determine the real total of the anticipated fiscal deficit and the economic and social impacts which might result from the various alternatives of public spending cuts or of utilization of other financing sources. In any case, however, the fundamental problem will be how to assure political viability and the necessary support for the measures that may be adopted, regardless of what these might be.

To achieve this may be particularly difficult for the government of President Herrera, at least for three reasons. The first is a weakness that has existed since the beginning of the current constitutional term: the fact that the ruling party lacks a majority in congress for many of the eventual actions that could be taken. The second reason is that the government, as a result of its performance to date, is dangerously isolated and its public image is severely deteriorated. The third reason is that we are close to the national electoral campaign, which makes it quite tempting for the opposition parties to follow a strategy aimed at capitalizing from the government's failures. This would make it difficult to have honest cooperation to solve the problems we are facing through a concerted effort which would imply sharing, to a certain degree, the political and social costs of necessary unpopular measures.

It seems highly probable that because of the electoral contest, there may be, from the many possible policies available to cope with the current crisis, a polarization around two extreme strategies closely representing the viewpoints of the government and of the opposition, respectively: (1) on the one hand, a strategy tending to minimize the immediate effects of the fiscal deficit, postponing its impact by seeking alternative financing sources which cut the political and social costs in the short term, even though they could worsen the situation on the medium and long terms; and (2) on the other hand, a strategy tending to maximize the immediate effects of the fiscal deficit and minimize its impact on the future, trying to make the political and social costs fall on the current government in the short term and without incurring debts or decapitalizations.

Now then, to the extent that a polarization of the two extreme positions does in fact occur as a consequence of the electoral contest--which in fact already has begun--it will be quite difficult for the government to achieve a consensus with the opposition. Given the characteristics of our constitutional system and COPEI's lack of a congressional majority, such a consensus would be required to implement a strategy that would help us solve the crisis.

In fact, it is often said in Venezuela that given our strong executive tradition and the presidential nature of the incumbent administration, it is possible to govern without a congressional majority, but such is not the case. The truth is that being presidential in a constitutional system such as ours does not exclude the need for having majorities in the congress. To the contrary, that need increases to the point that, as Duverger says, the lack of majorities can lead to insurmountable conflicts or even to the total paralysis of the system. This is true under normal circumstances and much more so in crisis situations such as the current one.

It is true that in our judicial-constitutional system it is possible to use exceptional mechanisms to cope with a situation such as the present one. This can be done by means of legislative authorization on economic and fiscal matters, through which the congress could grant extraordinary powers to the president of the republic. However, this solution does not seem politically viable. It is true that if we were to compare the present situation to the one when President Perez assumed power, it would seem obvious that, in abstract terms, the granting of extraordinary powers is justified now much more than at that time. However, it is no less true that the political conditions are quite different. Thus, regardless of how attractive it may be for the opposition to let the president alone bear the responsibility for the unpopular measures that may have to be taken, the opposition probably will not feel too inclined to give him "carte blanche" which could be used to gain electoral advantages.

Therefore, if the granting of extraordinary powers to the president is ruled out, through what mechanisms can the government gain the necessary political and congressional support to overcome the crisis?

In Venezuela's recent history prior to 1969, lasting, if not permanent, government coalitions were used in trying to overcome the difficulties resulting from the lack of a congressional majority. Although no government alliances were formed under President Caldera, occasional congressional coalitions ("informal congressional agreements") were resorted to constantly, which led to the approval of legislation indispensable for government's functioning. Somewhat the same has occurred over the 3 years which the present government has been in office.

Is there room to think that it is possible to attain congressional support for the measures necessary to overcome the current crisis through negotiations with the opposition parties so as to reach "informal congressional agreement"? This would be highly difficult under current circumstances. First of all, because it is not a question of simply reaching agreements or understandings on certain specific individual measures, but on "packages" of measures

involving an overall policy. Secondly, because, in all likelihood, it is not a case of a number of measures that can be adopted once and for all. Instead, these measures will require successive actions during the remainder of the current constitutional term (and perhaps during a good part of the next one). As a result of both circumstances, it is highly difficult to think that a lengthy process of negotiation is viable between opposing forces through which the coordination of necessary policies to cope with the crisis can be achieved.

On the other hand, it is frequently not easy to reach agreements in political negotiations in which what is at stake is how to share the "profits," and it will be much more difficult if it is a question of sharing the "losses" from the political and social "costs" of the unpopular measures that will have to be taken. This is especially true when one of the parties--the opposition--can believe that it is possible for it to evade such "losses" simply by doing nothing more than refusing to negotiate and leaving the government to bear full responsibility for the situation. Moreover, there is room to think that the difficulties for negotiation between the government and the opposition will increase to the extent that the polarization process to which I referred earlier is accentuated as a result of the electoral confrontation. Under such circumstances, the logic of the electoral contest replaces the logic of negotiation and agreement is not possible. The logic of the contest assumes that government losses are gains for the opposition, and vice versa; and the logic of negotiation assumes, on the other hand, that both the government and the opposition can at least cut their common losses if they cannot increase the gains.

What would be necessary for the logic of negotiation to prevail over the logic of the contest? At least two circumstances: On the one hand, that the opposition perceive that, for want of a negotiated agreement, the resulting losses from the unresolved crisis will affect the government as well as the opposition (which would be the case, for example, if the democratic system were severely threatened or deteriorated). On the other hand, it would be necessary that the measures proposed by the government are not perceived as the expression of partisan policy from which the government can gain electoral advantages against the opposition. It is unlikely that both circumstances will occur. Firstly, because it can be quite tempting for the opposition to believe, and use as an electoral slogan, that the maintenance of the democratic system does not depend on this government being capable of overcoming the current crisis, but instead on that it be defeated in the next elections. Secondly, the current government--given its political isolation, its one-party nature and the accusations, right or wrong, that it is sectarian, deaf, haughty and exclusive--will find it difficult to propose to the country a package of measures to overcome the crisis without raising the suspicion that these are predominantly inspired by immediate electoral aims.

Along with negotiations with the opposition parties at the congressional level, another mechanism through which the necessary support to cope with the crisis could be attained would be an expansion of the political base of the Executive Branch through the formation of a coalition government for the remainder of the constitutional term. Such a government would not only be aimed at gaining the necessary congressional support, but also at breaking the

current isolation, increasing public support and strengthening the government's credibility and negotiating power. The political viability of this mechanism--which might even appear to some as more difficult still than the one mentioned earlier--is not clear either. However, an eventual coalition could take various forms.

First of all, it could be an emergency government, a "national salvation" type, composed of a very broad coalition, not closed a priori to any political or social force of any significance. Ideally, it would involve all the Venezuelan political parties in a common program to solve the current crisis. Thus, a coalition of this sort is conceivable only in situations of grave internal or external threat (the latter more common than the former) in which the very existence of the state or of the political system is seriously threatened. In such a case, it is possible for quite heterogeneous groups to reach agreement, but only for the duration and for the measures that are strictly necessary to cope with the emergency situation. All this makes such a coalition practically impossible under the current circumstances. This is so because, on the one hand, neither the government nor the opposition views the current fiscal deficit, regardless of how serious it may be, as a grave or immediate threat to institutional stability; and, on the other hand, it is most likely that a consensus within such a broad and heterogeneous coalition on the measures indispensable to cope with the "emergency" would not be possible.

Secondly, the coalition could take the form of what President Betancourt, shortly before his death, called a "national concentration" government. In the present version, it would be a government coalition for the remainder of the constitutional term in which, essentially, FEDECAMARAS [Association of the Chambers of Commerce and Industry] and the CTV [Confederation of Venezuelan Workers] would participate along with COPEI and AD [Democratic Action Party]. Such a coalition would imply an attempt to solve the current crisis "in the style of Colombia," excluding not only the Left but all elements that are not part of the official system, and, moreover, completed by an electoral pact among the forces in the coalition. This coalition would only seem possible if an aggravation of the crisis brings about a serious threat of electoral loss for COPEI as well as for AD, with the threat of antistatus leftist forces winning. However, the Venezuelan situation seems to be far from such a panorama, and the incredible political inability which the Left has shown to become a real option of government makes the type of coalition we are examining seem not a necessity, at least in the short term.

Lastly, the coalition could take a center-Left political form by means of a "sinister rapprochement" which would include in the government certain parties, such as the URD [Democratic Republican Union], MEP [People's Electoral Movement] and even MAS [Movement for Socialism], or independents close to such parties. On the one hand, this would require agreement on a minimum common program representing a radical change in some of the fundamental policies followed so far by the government. On the other hand, such a coalition would represent a serious electoral risk to the ruling party as well as to the leftwing parties in the coalition, unless they could agree--which is very unlikely--to go to the upcoming elections with a single candidate and a minimum common program.

As we have seen, under current circumstances it is not very likely--although not impossible--that the government will get congressional support for the measures necessary to overcome the current crisis through negotiations with the opposition parties so as to reach "informal congressional agreements." The formation of government coalitions with other parties also appears unlikely. However, this does not mean that the government lacks the means to increase its necessary political support under circumstances such as the present ones. A procedure for this could be the expansion of its political base by placing persons of proven prestige and ability, independents or persons close to some of the existing parties, in key cabinet positions to form a government of national scope, with a precise program to cope with the crisis. Such a government would not automatically have the necessary congressional majority. Undoubtedly, however, its public support would increase and also its negotiating power with the opposition parties, which no longer could view the measures proposed by the Executive Branch as the expression of partisan and sectarian interest to gain electoral advantages, but as policies reflecting national interest whose rejection could provoke adverse public reaction and electoral consequences. (Incidentally, the formation of a national scope government could have collateral electoral effects favorable to the COPEI presidential candidate, especially if, as everyone expects, he is Dr Caldera.)

I summarize and conclude: Regardless of the measures the government plans to adopt to solve the fiscal crisis, it will need political and congressional support, which it currently lacks. There is little probability that government coalitions can be formed to help overcome this deficiency. It is also unlikely that negotiation with the opposition of comprehensive and coherent policies to cope with the crisis is possible under the current circumstances of an isolated and low prestige government and with the electoral campaign just starting. But the Executive Branch can expand its political support and its ability to negotiate by forming a government of national scope which would facilitate agreements with the opposition in congress.

Otherwise, the most probable result will be that the electoral confrontation will prevail over the logic of negotiation; the government will be obsessed with taking action that would help it, in the short term, raise its public popularity and overcome the so-called "dragging effect," even if it has to mortgage the future more; the opposition will stand in the way so that the prestige of the government sinks more and the "dragging effect" becomes more of a "toboggan effect." The trouble is that all of us--the government, the opposition and the democratic system--could slide on that toboggan to the abyss.

9925

CSO: 3010/1527

FORMER FOREIGN MINISTER ON BORDER PROBLEMS WITH GUYANA

Caracas EL UNIVERSAL in Spanish 30 Apr 82 p 1-13

[Text] Former Venezuelan Foreign Minister Aristides Calvani has stated that Venezuela should pursue legal paths in seeking a solution to the border problem with Guyana.

In the opinion of the former foreign minister, although there are those who think arms are the best solution, "When one sees the history of the peoples, one realizes that they don't end the problems."

A guest on the morning program broadcast by Radio Caracas Television, Calvani provided an overview of the conflict between Argentina and England over the Malvinas Islands, and he also dealt with the subject of Venezuela's claim against Guyana for the Essequibo territory.

The former Social Christian minister warned about the seriousness of statements made by some people who are promoting an invasion of the disputed territory.

"I think we're basically a weak country, and despite our oil wealth, we shouldn't forget that we're a part of the underdeveloped world," he said.

He noted that we have to stand on the right to defend ourselves and seek a suitable solution to our international problems.

Asked about the strength of Venezuelan democracy, he replied, "Venezuela has been able to overcome subversion without abandoning the democratic system." It has managed to maintain this system despite "the terrible '60's."

He said that if the governments of Venezuela and Guyana fail to come to terms, the UN's secretary general will step into the dispute, proposing and discussing with the parties possible means of resolving it.

He agreed with Venezuelan UN representative Alberto Martini Urdaneta that the Venezuelan claim against Guyana, "while basically analogous, differs in its history from the case of Argentina and Great Britain in the Malvinas crisis."

During the first part of the program, Calvani gave an overview of the dispute between Argentina and Great Britain.

He spoke of the United States' reasons for its stance regarding the Argentine claim, and he said, "Its (the United States') global interests don't always coincide with its regional interests, if the former come into conflict with the latter."

He noted that England is a part of the North Atlantic Treaty Organization and that it is the United States' staunchest ally in the world.

He said, too, that within that historical framework the North Americans have made a genuine effort to assist in resolving the issue; and he termed "excessive" the assertion that the U.S. secretary of state could be called a "frustrated negotiator," for he did demonstrate that he was attempting to preserve peace.

9085

CSO: 3010/1569

PETKOFF DISCUSSES FALKLANDS, ESSEQUIBO ISSUES

Caracas EL UNIVERSAL in Spanish 30 Apr 82 p 1-5

[Commentary by Teodoro Petkoff]

[Text] Viewed from a historical perspective, Argentina's recovery of the Malvinas by force is merely the response to the same type of act perpetrated by England nearly a century and a half ago. Hence the enormous hypocrisy of both the United States and all of Western Europe in reproaching Argentina for using force. Can England, which took over half the planet by force, feel that it has the moral authority to rebuke Argentina for mobilizing its troops? In any event, the old familiar saying "What's sauce for the goose is sauce for the gander" can be applied here.

At the same time, England always refused to discuss or negotiate over the status of those islands. From this point of view, at some time Argentina would have had to choose armed action, considering the British position. If war is the continuation of politics by other means, Argentina had no other option open to it, after a century and a half of fruitless efforts to have its old claim satisfied.

Of course, when judging the Argentine action, we cannot leave out the assessment that both that country's present government and the motives impelling it deserve. Thus, it is not idle to stress that the solidarity goes to its people, to the Argentine nation, and in no way to the military dictatorship. This should not be forgotten. Galtieri is the most recent in a succession of autocrats and has a dark background. Moreover, his motives have a fair amount to do with domestic politics, with a search for air, for a certain kind of legitimacy before the people. In any case, though, when he took the step, he became the agent for national sentiment, and that is what counts at the moment.

The English response is in the best imperial tradition. Even clothed in robes of moral and political self-justification ("the military dictatorship," Mrs Thatcher now discovers), the fleet was sent to give some "insolent" South Americans what they had coming. What response was then appropriate? By a curious twist of history, the American continent has a legal/military instrument that by chance enables it to give a comprehensive response to an aggressor. It is the Inter-American Reciprocal Defense Treaty. However, events are revealing the complete inoperativeness of that treaty. Conceived on the basis of a single hypothesis--that of Soviet aggression--it becomes inapplicable, as we see, when it is a Western power that is assaulting the American continent. The occasion should then be used,

if it does in fact prove impossible to implement the treaty, to denounce it. Of what use to Latin America is a treaty that has only an ideological basis? A treaty that is applied only when it suits a single one of its signatories, the United States, places the other parties to it literally in the position of lackeys. Therefore, if anything should come of the Malvinas crisis, it is Venezuela's denunciation of the treaty.

Meanwhile, here in Venezuela we have heard voices proposing invasion of the Essequibo territory. To equate the two situations could lead to a grave error. In fact, Argentina itself, with the grounds that it has, is, internationally speaking, in an uncomfortable position. It is easy to imagine the international isolation our country would find itself in if it sent its troops into Guyana. There are three basic differences. One, the claim is not being lodged against the party responsible for the dispossession, England, but against an independent nation, a small, poor one at that. In any case, the distinction is too important. Second, there is an arbitrator's finding, accepted at the time by the Venezuelan Government. That is, our claim is being made against a judgment already rendered. Third, there is the Geneva Accord, which creates the framework for negotiation. It would be incomprehensible for Venezuela to resort to force without even having exhausted the possibilities for a peaceful, negotiated practical settlement. It would be so incomprehensible that very likely international pressure would oblige Venezuelan troops to return to their bases. We would be acting precipitately if we invaded, and then we would crown that with the ridiculous.

9085

CSO: 3010/1569

AD LEADER WARNS ABOUT POSSIBLE MILITARY ACTIONS IN ESSEQUIBO

Caracas EL UNIVERSAL in Spanish 4 May 82 p 2-28

[Special dispatch by Victor Moreno]

[Text] Cumana, 3 May -- The national head of Democratic Action [AD], Humberto Celli, warned the country against "the possibility that in the closing months of 1982, with the president of the republic convinced that he can't overcome the unpopularity arising from his government's failure, he may succumb to the temptation to try an armed action against Essequiban Guyana designed to reverse electoral prospects."

He cited as an example the case of Begin in Israel, who he said managed to regain his popularity with an armed action when he was on the verge of electoral defeat, achieving a draw in the election enabling him to continue in office through an alliance. A similar case is Argentina, where the brutish, dictatorial military junta has succeeded in winning popular support and awakening Argentines' enthusiasm with its actions in the Malvinas Islands.

"Regarding Essequiban Guyana," he went on, "we've said--and we were the ones who made the claim--that Venezuela should not give up its rights for a second. We think that if the doors are closed to civil, bilateral talks with Guyana, circumstances could leave room for another sort of action. But a military action undertaken for electoral purposes can't be supported by AD or by the rest of Venezuela. At this moment when some COPEI [Social Christian Party] leaders or top government officials may be thinking of pressuring the president into taking a step of this sort, we earnestly want to warn the country."

Celli asserted that talks with our neighbors should be continued in an effort to resolve the issue peacefully.

Elsewhere in his speech, Celli indicated that there is no question that the government's economic policy has failed.

"Above all, the most recent measures are designed to cover the budget deficit that is not entirely due to the decline in petroleum prices on the international market. It should be recalled that in December of last year we announced that there would be a deficit in the 1982 budget. This drop in oil prices has simply revealed the deficit. But these measures have started off on the wrong foot. First, because it's not a true economic policy but rather little tiny policies designed primarily to combat the fiscal crisis. That is, they don't involve a comprehensive policy. Also,

because the president has lied to Venezuela when estimating the budget deficit at 13,500 million bolivars while everyone places the figure at around 25,000 million bolivars."

He went on to say that of the measures announced, perhaps the most important is the increase in the price of gasoline, noting that fiscal motives can be seen in it, for Pedevesa [Petroleos de Venezuela, S. A.] will receive none of that increase. Rather, it will continue subsidizing not the consumer but the Ministry of Finance so that the ministry can cover current expenditures with those millions of bolivars that will flow in from the increase.

"Concerning that, we want to say that the president has tried to make the country believe that he increased gasoline prices because the opposition forced him to. It should be noted that although it is true that we said we would support a gasoline price increase if the measure were a part of an overall energy policy intended to conserve our oil and prevent high consumption and waste, especially of gasoline, that premise has not been satisfied. Thus, we have the impression that the president is so convinced of the unpopularity of his administration and of this measure that he wants the country to believe that it's the opposition who is governing."

With respect to the Malvinas situation, Celli said that regarding it "we have a very clear position. In the first place, we say the Argentine Republic has the legitimate historic and geographic right to claim those islands. We think the talks should have continued peacefully; but since the occupation has taken place, we reiterate our solidarity with Argentina. We do indeed regret that the decision was inspired by a situation of unpopularity, the result of the dictatorial military junta's having eliminated human rights and of the country's suffering a major economic crisis. That action can be intended to regain some prestige, some popularity for the ruling junta."

In closing, Celli asserted that the country will be polarized between AD and COPEI in the 1983 election and that over 80 percent of Venezuelan voters will again choose the two parties.

"This is reflected in polls, in conversations with people, and in what you see in the street every day. Besides, there is no third alternative capable of breaking up the polarization. The Venezuelan Left goes on jumping up and down and turning somersaults, and the only thing they agree on is to disagree. Thus, there's no other program that can break up the polarization between AD and COPEI.

"Without resorting to extreme gestures of arrogance or overconfidence, we're convinced that we're going to win the election and that the next president will be Jaime Lusinchi."

9085
CSO: 3010/1569

PRAGMATIC CONSIDERATIONS IN FOREIGN RELATIONS CRITICIZED

Caracas EL NACIONAL in Spanish 24 Apr 82 p D-2

[Commentary by Alfredo Pena: "The Malvinas and Pragmatism"]

[Text] The Malvinas crisis has provided uncommon evidence pointing up the hypocrisy governing politics and international relations.

World organizations, parties, and ideologies whose programs and banners proclaim the struggle against colonialism have retreated before the threat of force or because of simple unprincipled pragmatism.

The interplay of interests, political and economic dependence, and regional, local, or border-dispute considerations have led governments and parties to set aside the dear principles of sovereignty.

Even imperial England, a democratic nation, is acting as if unaware that one of the principles of liberty is exactly that of independence of peoples and territories. It is truly deplorable to defend representative democracy and at the same time use armies to maintain anachronistic colonialism.

The UN, or rather its Security Council, censured Argentina for its legitimate claim, but the truth is that most of its members are or have been colonial powers.

The social democratic and social Christian parties in Europe chastised Buenos Aires with economic and military sanctions despite the fact that, as one can read in their programs, they oppose colonialism and neocolonialism. Pragmatism gives priority to economic and political considerations. For that very reason, the by now nearly forgotten North-South conference was pointless and achieved nothing.

The Soviet and Chinese communists--who have always widely declared their struggle against colonialism--abstained in the UN Security Council vote, thus facilitating, or rather legitimizing, Great Britain's mobilization for war.

The Argentine Dictatorship

Two major arguments are used to censure the act of recovery carried out by the Argentine Government. The first is that it is a Nazi-fascist military dictatorship. It is true that democracy has collapsed there through its own ineffectiveness, among other reasons. We mustn't forget the years of chaos and disgrace presided over by Mrs Peron. . . .

It is true, however, that the Galtieri regime is an authoritarian administration that abolished, or left inoperative, the political parties, the Congress, and the unions. The whereabouts of thousands of people who disappeared are still unknown. We democrats are enemies of any sort of dictatorship, and we cannot endorse the outrages they commit. Nonetheless, nobody is defending the legitimacy of a de facto regime. What is being defended, and rightfully so, is the legitimacy of an act of sovereignty. Beyond the ruling regime, which will always be temporary, stand the rights of the Argentine Republic, which will always be permanent, in their struggle against colonialism and for their territorial integrity. Would Great Britain and its partners have reacted differently if the islands had been retaken by a democratic government? The problem that a general now rules in Argentina is merely a subterfuge designed to justify to Latin Americans positions like that of the Common Market, constituting clear support for plunder; that of the United States, a "neutrality" that in fact means solidarity with London; and that of Colombia, which reached the point of opposing convening of the Inter-American Reciprocal Defense Treaty's signatories, the OAS' only constructive act in this crisis.

The second argument used by defenders of colonialism is the following: "Argentina should not have used force." But please, was it in a courtroom or in a church that the British carried out the plunder of 1833? We all know that England has imposed its "reasoning" on the world with blood and fire. Other peoples, including ours, know that the English are accustomed to taking pieces of defenseless, poor countries by force. Moreover, the colonialists have never wanted to pay attention to Argentina's legitimate claims. Isn't it enough to have put up with the dispossession for over a century and a half? What a shame that all of Latin America is not halting the empire, which is coming prepared for war and could not be greeted with flowers, so that it will turn back right now.

Pragmatism

There are no foundations in ideology or in law supporting the old colonial power. The United States, which shook it off through war and use of force, is backing it today because it is its chief economic and military ally in Europe and in the struggle against communism.

Colombia and Chile, a democracy and a dictatorship, vacillate in public--although in the corridors and back rooms of the OAS they do not hide their sympathy for the crown--because they, too, have problems with their neighbors and are seeking foreign support. Bogota believes that, with today's stance, tomorrow it will obtain support from the European Common Market, from Great Britain, and the United States when the time comes to deal with its disputes with us and with the Nicaraguans. Santiago has similar thoughts because it, too, is thinking only of its confrontation with Argentina.

The Soviet Union did not want to take sides in the Security Council, but now it is hastening to fish in troubled waters. The Kremlin knows the importance of the South Atlantic, which far surpasses that of Argentine grain, and, ignoring the dictatorial nature of the Galtieri government, it is beginning to provide it with aid in the form of intelligence and counterintelligence. This is another fact revealing something very concrete: Today any local conflict immediately assumes worldwide significance because the superpowers' interests come into play.

Washington should meditate over its policy toward the continent. It would be very unfortunate if the Department of State carried out the job of pushing these countries into the Russian orbit. Argentine officials have already said it: If you don't leave us more alternatives, we will have to consider Soviet aid.

Venezuela

It must be said very clearly that Luis Herrera's government, especially in this instance, has conducted itself in accordance with national and Latin American interests. It has wholeheartedly condemned colonialism and expressed solidarity with Argentina. Unfortunately, our power is limited, and we cannot have a decisive influence on these events. What the chief of state has said is certain, however: We have helped as much as possible.

9085

CSO: 3010/1569

ECONOMIST ESTIMATES BUDGET DEFICIT AT 4 BILLION DOLLARS

Caracas NUMERO in Spanish 2 May 82 pp 10-11

[Article based on interview with economist Pedro Palma: "How To Safeguard Balance of Payments: No to Devaluation"; name of interviewer, date and place of interview not given]

[Text] According to economist Pedro Palma, the Venezuelan current account this year will register a deficit of close to \$4 billion. Putting aside the alternative of a devaluation, the government must choose between increased indebtedness and use of the state's international reserves to cover the imbalance.

In his conversation with NUMERO, Pedro Palma enumerated the reasons why a devaluation of the bolivar would serve no useful purpose in correcting the balance of payments deficit situation. A synopsis of his views in this regard is as follows:

--The primary objective of a devaluation would be to stimulate export sales. However, more than 95 percent of Venezuelan exports consist of oil, iron or aluminum, the prices of which are established in dollars on the international markets; hence, a modification of the exchange rate would have no effect upon demand.

--A devaluation would increase the cost of imports, without distinction, which theoretically would achieve the objective of discouraging buying abroad. It must be borne in mind, however, that given our heavy dependence on foreign supply sources, a large part of Venezuelan imports is impervious to pricing effects.

--Another effect of a devaluation would be of a strictly fiscal nature, in that it would permit increasing fiscal revenues from the oil sector without affecting industry. A devaluation, however, has additional, highly inflationary consequences as well, and since the central objective of the present administration is control of inflation, even at the expense of a recession or a slowing of economic growth, it would hardly be consistent on the part of the government to sacrifice that bastion of its policy to combat the problem of the balance of payments deficit, at the risk, moreover, of seeing the latter move fail to achieve its purpose.

On Friday 16 April, while the nation's leading economists were poring, with varying degrees of concern or of optimism, over the remedial fiscal plan Luis Herrera Campins had announced just 10 days before, the minister of finance confirmed what many were fearing: The balance of payments would be in the red in 1982.

Perhaps to avoid becoming involved in a new war of forecasts, Ugueto declined to state his estimate of the magnitude of the deficit.

The most widely known local representative of the econometricians, Pedro Palma, lost no time however in making known his own forecast of a Venezuelan current accounts deficit this year of close to \$4 billion. This figure does not contradict Minister Ugueto's affirmation that "the deficit can be easily absorbed." Obviously, with our volume of foreign resources, amounting to around \$20 billion (including the financial assets of Banco Central, the FIV [Venezuelan Investment Fund] and PEDEVESA [Petroleos de Venezuela, S.A.]), the situation presents no threat to Venezuela's sound financial position. Nevertheless, and even accepting the fact that the negative balance is a worrisome, though not catastrophic sign, the situation poses a question that can be of particular importance to the government's economic policy: How can the gap be closed?

There are at least three alternatives. The first and most drastic is a devaluation of the bolivar, a recourse that has been resorted to historically by not a few countries having to deal with serious foreign imbalances, but which is excessive in the Venezuelan case. The other options involve the use of the country's foreign reserves or the contracting of new credits abroad.

The Scenario

Venezuela's Balance of Payments 1979-1981
(in \$ billion)

<u>Item</u>	<u>1979</u>	<u>1980</u>	<u>1981*</u>
Exports	14.4	19.3	20.1
Imports	-10.0	-10.9	-12.4
Trade balance	4.4	8.4	7.7
Services balance	- 3.6	- 3.2	- 3.3
Unilateral transfers	- 0.4	- 0.4	- 0.4
Current account balance	0.4	4.8	4.0
Nonmonetary capital balance	0.2	- 3.5	- 1.5
Errors and omissions	0.5	- 1.2	---
Overall balance	1.1	0.1	2.5

* Preliminary figures obtained by NUMERO from sources in the Banco Central de Venezuela.

As explained to NUMERO by Pedro Palma himself, he has based his estimates on the following assumptions:

1. An average export volume of 1,380,000 b/d [barrels a day] of oil at a price of \$28.50 a barrel.

3. A probable recession of the Venezuelan economy in 1982 that will diminish import needs, and a slowing of the inflation rate in the industrialized nations that will halt the rise in prices of products imported by Venezuela. The combination of these two factors would produce a nominal rise of barely 7 to 8 percent in imports during 1982.

3. A deterioration in the services account, particularly as regards revenues over investments, since, commensurate with a reduction in Venezuela's capital holdings abroad (basically those of PEDEVESA and the FIV), there will also be a drop in the country's yields. On the other hand, if new credits are resorted to in order to cover part of the current account deficit, debt service will increase.

Taking all of this into account, (which Palma considers an appropriate scenario, "neither too optimistic nor excessively pessimistic"), he arrives at an estimate of the deficit that oscillates between \$3 and \$4 billion in the Venezuelan current account.

"Part of this deficit will be financed through the reduction of reserves, but I hardly see the economic authorities prepared to cut back international reserves held by Banco Central in an amount close to \$4 billion," says Palma, who nevertheless acknowledges that this option would have certain obvious financial advantages.

"It is true that every country must maintain a prudent level of reserves on which it can count in dealing with eventual contingencies such as that with which we are now concerned in Venezuela. I believe ours are well above that minimum prudent level, and so we have the option of calling upon these reserves to cover the situation at hand instead of incurring new indebtedness for which we will have to pay more than we take in for our exports. But this leads to a polemic similar to the one that has arisen most recently on the advisability of using resources accumulated by PEDEVESA to cover the financing needs of other decentralized entities that have to incur indebtedness abroad. This meets with obvious political difficulties, because many people in Venezuela feel that it would be a serious mistake to use the resources that ensure the solvency and success of the country's principal industry for the purpose of financing the operations of a few organizations that, sometimes by their very nature, are unprofitable or that are managed inefficiently," Palma concludes.

A Challenge of Scale

In the view of the former president of the Banco Central, Benito Raul Losada, the situation warrants a careful examination of the means to be resorted to for covering the deficit (he argues against new indebtedness, holding that "the

public debt is already high enough, not in absolute terms, but in view of the country's present circumstances"), and an in-depth and radical revision of the government's economic policy for shoring up the balance of payments.

Losada recognizes that the essential factor in the behavior of the Venezuelan current account--its revenue from oil--reflects pressures and ups and downs the control of which largely escapes the government. He nevertheless maintains that the burden of the negative elements in the balance can and must be corrected through an overall revision of scale of the tax and tariff structures that will eliminate superfluous imports and, above all, through the creation of a climate of confidence that will stimulate Venezuelan and foreign investors.

"During the past 3 years, there has not been a defined and consistent economic policy designed to provide a foundation for that confidence," charges Losada. "The problem is that the government took as its point of departure a diagnosis that was erroneous from the very start, when it stated that the economy was heating up, choosing to ignore the fact that already in 1977 steps had been taken to slow the economy's growth."

The reform of the administrative apparatus, the revision of all tariffs, the streamlining of the tax system and the actualization of national energy policy planning are the essential points of a strategy that the former president of the Banco Central proposes for a reversal of the situation in the critical domain of the balance of payments, an area in which, paradoxically, Luis Herrera's government was able to register--and publicly show--favorable results during its 3 years of management. Although on the one hand, as the opposition parties have pointed out, the governing team cannot claim full credit for this accomplishment, neither, on the other hand, is it fair to hold it entirely responsible for the imbalance that is being expected this year. Nevertheless, the task of instituting the conjunctural and structural measures needed to correct the situation is entirely in its hands. It is in the accomplishment of that task that the capacity for correction invoked by Luis Herrera on 7 April will be put to the test.

9399

CSO: 3010/1528

PRESIDENT OF EXPORTERS ASSOCIATION VIEWS ECONOMIC PROBLEMS

Caracas EL UNIVERSAL in Spanish 27 Apr 82 p 1-20

[Article by C. R. Chavez: "We Are Not Facing Economic Disaster Because of Oil Prices"]

[Text] All countries throughout the world face difficult situations that they manage to overcome. But that overcoming is possible only where there is a will to work and to sacrifice.

Venezuela's economic revival cannot be the product of a mere wish; it can be achieved only through concrete action in a collective effort.

Production for export--especially in nontraditional goods--must be the essential reason for being of every program actualized in the national industrial domain.

The majority of the private economic organizations have been striving to minimize the psychological effect of the situation created throughout the country by the sudden and unexpected slump in oil demand and prices on the international market. These business organizations have stressed the need to adopt a more realistic attitude, one that is less pessimistic and, in any case, oriented toward the seeking of viable solutions to the problems that confront us.

In this regard, the Venezuelan Exporters Association, through its president, Dr Regulo Campo Martinez, issued a statement yesterday on the revival of the economy and the question of exports.

Economic Revival and Exports

"Efforts being deployed to revive the economy," Campo Martinez began by saying, "had created a justifiable optimism. However, the oil crisis and, above all, the propaganda that has been disseminated with regard to it have transformed that optimism into a wait-and-see attitude.

"This uncertainty in some economic circles is unwarranted. Every country of the world has endured economic difficulties often worse than those we are undergoing. We must understand that a decline of 20 percent in revenues from oil

sales does not constitute a disaster. It is a normal part of economic life, which is always subject to oscillations, to ups and downs. It appears to me," says Dr Campo Martinez, "that this uncertainty stems more from ignorance of the facts than from the economic situation per se.

"There are many positive factors conducive to the hurdling of the minor obstacles in the way economic revival. Prosperity is achieved through full employment. All restrictive measures are forgotten when everyone has a reasonably remunerative job. This must be our goal, and it is a relatively easy one to attain.

"We have many incentives available to us which when put into operation will have a multiplicative effect on the country's economic life as a whole.

"The 'Buy Venezuelan' Decree will have a major impact as soon as the Ministry of Development has set forth the necessary guidelines for implementation of this important decree. This legal instrument provides that work will no longer be contracted for abroad; the work will remain here. The stimulus this decree will produce will reach truly interesting proportions once the development of the Orinoco Belt is fully under way.

"In the second, though no less important, place, there are the incentives for the construction of housing of social interest. This program alone, duly implemented, is capable of producing a vigorous revival of the construction industry sector, which in turn can easily generate a vast number of jobs throughout the national territory.

"Lastly and of equal importance, there is the export of nontraditional goods. Not everyone is aware of the importance of these exports.

"The metalworking industry is a sector of prime importance for the development of the country as a whole. This industry, however, is working only up to 30 percent of installed capacity. This situation is critical and must not be allowed to continue. If the metalworking industry were working to full capacity thousands upon thousands of jobs would be generated and it alone could provide the spark needed to revive our economy. And it would not be a difficult thing to put this industry on the road to recovery. We have laws and regulations that provide incentives for this industry which for 3 years has been working at too slow a rhythm, decapitalizing itself year after year.

"It has been seen and proven that our metallurgical industries are capable of exporting and in this way creating jobs for all the metalworking industries established in this country. In this way we can bury oil. In this way we will offset reduced oil exports with exports of nontraditional goods. We will transform these moments of anguish into a new era of robust prosperity, of full employment, of resurgence of our industrial potential. We will replace a negative factor with a positive one, creating a fully justified current of optimism.

"We have an industry that is capable of exporting, we have competent technical personnel, we have incentives that facilitate our opening up the road to prosperity.

"We must transform the oil crisis into a new stage of development through an increase in our export of nontraditional products to the level of 20 billion bolivars, which is the goal the Venezuelan Exporters Association has set for itself.

"The present moment is the most propitious for imparting a major impetus to the export of capital goods, thus absorbing the full productive capacity of our industries and resolving our unemployment problem."

9399

CSO: 3010/1528

CONTROLLER'S REPORT ON STATE REGULATED ENTERPRISES ANALYZED

Caracas NUMERO in Spanish 9 May 82 pp 16-18

[Article: "The State, A Necessary Evil"]

[Text] The Controller's Office has investigated the losses incurred by publicly funded industrial enterprises and has found their principal deficiencies to be in their general management, which means, in this view, that the state is not a good administrator. But there is no other. And this leaves us with the need to effect corrections.

The report submitted to Congress by Controller General of the Republic Manuel Rafael Rivero on the state's administrative operance in 1981 is a superior one to last year's report, which dealt mainly in generalities. In the present one, the facts are analyzed in depth, and conceptual and technical findings are made that call attention to operational and administrative flaws in the management of state-regulated enterprises.

The audit had to deal with a universe made complex by the multiplicity of public entities and private ones with state participation: 66 autonomous institutes; 167 state-owned enterprises; 53 mixed enterprises; and 104 other decentralized agencies; for a total of 390 institutions handling funds totaling on the order of 152 billion bolivars.

According to the Controller's Office, most of these entities have operational losses, high levels of indebtedness and a dependency on short-term credits, frequently through bank overdrafts that have not been previously authorized by the Finance Ministry but that are customarily approved once actualized. Furthermore, funds whose source is public indebtedness are being invested in fixed-term securities of financial institutions.

It is a frequent occurrence that borrowing entities fail to include in their budgets the necessary provisions for payment of debt amortization and service, or that they lack mechanisms for ensuring the accuracy of administrative records, giving rise to erroneous calculations, omissions and even a lack of informed criteria as regards exchange rates (historical or current) in operations involving private financing institutions abroad.

The controller's report leaves a bitter taste; it unmask errors that one would think are only too obvious to be made, and problems that could be resolved by an efficient, or at least prudent, administrative management like that of any private business enterprise. Manuel Rafael Rivero, however, believes personally that management decisions are being conditioned by political determinations (see NUMERO, No 97, p 18).

The simple solution, apparently, would be to transfer bankrupt enterprises to the private sector; but then the question is: How to replace the state in areas requiring large-scale investments? Furthermore, industries like steel, petrochemicals or aluminum are part of the infrastructure needed for the country's development. Would the state cede its planning responsibility? In Venezuela, planning for development is the province of the state.

The debate on the role of the state continues, but the controller's report could give it new impetus and could even lend support to the position of the CTV [Confederation of Venezuelan Workers], which is shared by FEDECAMARAS [Association of the Chambers of Commerce and Industry], on the need to press forward with the state administrative reform involving a radical revision of the entire legal apparatus. CTV's basic premise is that there is no turning back from the state's role as enterpriser in Venezuela, but that it must be made an efficient one.

One Exception

The controller general's findings with respect to PDVSA [Venezuelan Petroleum, Inc] are the least disapprobatory within the group of seven enterprises in the industrial sector. PDVSA has not always conformed to the guidelines laid down by the Ministry of Energy and Mines: Thus, its crude production ratio in 1978 and 1979 was 75 percent light and medium grades and 25 percent heavy, whereas the Ministry had established a 70-to-30 relationship, respectively.

On another point, the ratio of production to potential reached 100 percent in some months, although the Ministry had decreed that "oil production shall not exceed 85 percent of production potential," bearing in mind the hydrocarbons conservation policy.

The Controller's Office concludes that PDVSA "is favorably organized to effect correction or adjustment of any flaw in its activities within a very short time."

The auditing agency does not fault the enterprise on its handling of financial investments abroad, which as of 31 December 1980 amounted to 32,252.2 million bolivars in fixed-term securities and 4,417.8 million bolivars in stocks, negotiable and other financial instruments.

PDVSA's Assiduity

According to the Controller's Office, PDVSA uses adequate safeguards: It consults Banco Central de Venezuela [BCV] with respect to the investments it can effect in each bank and in each country, even when the BCV's opinion is not binding. Its deposits of funds are made subject to specific due dates to ensure their availability when needed.

The Controller's Office tested interest rates with "acceptable" results: An average annual investment yield (1979 and 1980) of 11.84 and 13.79 percent and an annual average current deposit rate on the Eurodollar money market and in the principal London banks of 11.69 and 13.95 percent.

As for the rest, PDVSA signed an investment management agreement with Bank of America, Citibank, Chase Manhattan Bank, Manufacturers Hanover and Morgan Guaranty Trust Company of New York, covering the equivalent of 10 percent of its portfolio (3,060 million bolivars, or \$715 million). In September 1981, the yield on these investments was 10.36 percent.

SIDOR's [Orinoco Iron and Steelworks] Problems

At least six factors are affecting the internal situation of SIDOR: Labor absenteeism; turnover of personnel; production and marketing policy; technical staffing; steel pricing policy; and the enterprise's financial situation.

The report attributes absenteeism to faulty working conditions: Low wages on the one hand and the inherent nature of the plant's activity on the other (high ambient temperatures; high noise and contamination levels; and high accident risk), which cause the workers to apply for transfer to departments offering better working conditions. Labor apathy quickly translates into absenteeism. At year-end 1980, the personnel employed by SIDOR totaled 17,857; at the end of November it totaled 17,206. The rate of turnover during the period January-August was 17 percent.

The Controller's Office finds that planning over the past several years has led to the output of a mixture of products not directly related to marketing requirements. The difficulties encountered in marketing SIDOR's products have moreover compelled Sidor to reduce its rate of output and to try to reduce its stock levels (173,000 metric tons of finished products in December 1979 and 308,000 metric tons in August 1980, an increase of 78 percent).

The auditing agency echoes the dissatisfaction expressed by SIDOR's professional staff, which maintains that the enterprise's programs "are poorly conceived, poorly managed and costly."

Prices and Growth

As regards pricing policy, SIDOR has found it necessary to maintain price levels despite the inflationary situation, reducing its profit margin to inadequate levels, while having to bear the very high operating cost that is characteristic of learning cycles in new plants.

As to the rest of it, the enterprise sustained a gradual, self-financed increase in growth until 1974 and yielded favorable results until 1976 although the latter had begun to show a declining trend: Profits of 131 million bolivars in 1974 and of 110 million and 80 million bolivars respectively for the two succeeding years.

One failure to which the Controller's Office assigns importance has to do with the expansion plan (Plan IV) for which a cost of 6,143 million bolivars was calculated, without however including financing costs, a sum that exceeded the cost of the expansion contemplated in the National Iron and Steel Plan, which was estimated at 4,500 million bolivars. As of 30 November 1980 the actual investment had totaled 16,869.6 million bolivars, but to complete Plan IV another 6,524.4 million bolivars would have to be invested.

Consequently SIDOR's indebtedness rose, totaling (as of 30 November 1980) 17,094.8 million bolivars, half of which was short-term debt. Another problem that, according to the Controller's Office, has contributed to the decapitalization of the enterprise stems from the agreement whereby the Finance Ministry pays into the FIV fixed dividends on the preferred stocks subscribed by the latter (some 785 million bolivars as of 30 September 1980).

The Controller's Office thinks that in SIDOR's case a decision must be made as to whether it is more in the nation's interest to continue raising its iron and steel goals or to consolidate those that have been achieved to date, concentrating effort on operational economies and efficiency. The Office favors the latter.

The Case of Aluminum

The report analyzes the situation of the enterprises engaged in the nation's aluminum reduction operations in the region of Guayana: ALCASA [Caroni Aluminum Company] and VENALUM [Aluminum Company of Venezuela], with a joint installed production capacity of 400,000 metric tons annually, which covers the domestic market and shares in the international one.

VENALUM was formed in August 1973 as an enterprise financed jointly by public and private capital, 80 percent of it owned by a Japanese consortium and 20 percent by CVG [Venezuelan Corporation of Guayana]. The plant was to be installed with Japanese technology, but in 1974 the project was enlarged, the capital ratio was inverted (80 percent CVG and 20 percent Japanese consortium), and Reynolds International, Inc's American technology was adopted. Its capitalization underwent successive increases, reaching, in 1979, a total of 1 billion bolivars. The cost of the plant overran by 41 percent the initial budget of 2,683.7 million bolivars.

The plant's production plans were seriously affected in the first quarter of 1981 when only 446 of the 720 installed cells remained operative; the rest were damaged. The enterprise accuses Reynolds of failure to abide by the agreement, technical failures and overinvestment, all resulting in a claim of some 500 million bolivars. Moreover, as a result of the cells episode, VENALUM is replacing Reynolds personnel with Venezuelan personnel.

Action Against Reynolds

The Controller's Office finds that VENALUM must bring suit against Reynolds for the irregularities attributed to it, but questions the enterprise's decision to

do away with positions and to replace personnel, since there was neither a single Venezuelan with sufficient training, nor a prior feasibility study to go on, nor a strict technical test of installations and operability of the plant. VEN-ALUM's net loss as of November 1981 totaled 56.9 million bolivars, but it must be borne in mind that a goodly part--64 million bolivars--of its total loss was absorbed by the then export incentive.

As regards ALCASA, the audit analyzed operative aspects related to the purchase of raw materials and the operation of the coal plant under its agreement with Reynolds. The audit finds that the plant does not respond to an integrated design capable of accommodating its expansion needs and that claims against Reynolds are slow. In this regard, the Controller's Office finds that damages must be quantified and decisions taken to indemnify ALCASA.

PEQUIVEN [Petrochemical Company of Venezuela]

The financial situation of PEQUIVEN--which participates in nine enterprises financed jointly by public and private capital, which together had a net profit of 106 million bolivars as of September 1981--is a complex one. One of its subsidiaries, NITROVEN [Venezuelan Nitrogen Company, Inc], had accrued losses as of year-end 1980 amounting to almost 1 billion bolivars, a situation that leads the Controller's Office to find that the enterprise should be liquidated unless the shareholders decide to make good the consumed capital.

According to the report, PEQUIVEN was continuing its process of operational and financial recovery, meeting all planned activity levels as of 30 October 1981, especially as regards reduction of accrued losses and increase of production and sales volumes.

BAUXIVEN [Bauxita Venezolana CA] was formed in 1979 to exploit bauxite, the raw material from which aluminum is produced. CVG owns 99.995 percent of the capital stock (200 million bolivars) and FVI the equivalent of 0.005 percent. The report's findings point out the delay in development of the project, conceived more than 2 years ago, and the allocation of human resources to it that in the opinion of the Controller's Office is following no plan. The budget for 1981 was only recently approved, in May of that year, and the Controller's Office adds that uniform accounting criteria for dealing with expenditures are not yet in place.

EDELCA [Caroni River Electrification Project]

EDELCA is not holding contractors to the fulfillment of their obligations, with the result that completion dates are neither being met nor are their extensions being requested as provided for legally. For the enterprise, this means increased costs and nonavailability of facilities within planned timeframes.

The Controller's Office finds that EDELCA has inordinately increased its contracting and indebtedness, owing to the lack of an annual supplementary works program. Of the funds obtained between January 1978 and September 1981, 55 percent has been from public credit operations, the remaining 67 percent [as published] being from short-term credits.